EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Wednesday November 28 1990

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GATT
EC reels from low blows
Page 33

World News

Gorbachev warns force 'will be used against Iraq'

Military force will be used against Iraq if necessary, President Mikhail Gorbachev of the Soviet Union said, and he warned Baghdad not to test the world's resolve to expel it from Kuwait.

His toughest remarks yet during the Gulf crisis followed talks on Monday with Tareq Aziz, Iraqi foreign minister. Mr Gorbachev said talks with his former ally had been "difficult; I would even say harsh". Page 22; Editorial Comment, Page 20

Walesa urges unity

Lech Walesa, the Polish Solidarity leader, urged prime minister Tadeusz Mazowiecki to withdraw his resignation and help calm the country's crisis. Page 22

Lebanon clashes

Five Israeli soldiers and eight Palestinian guerrillas were killed in a clash inside the border security zone Israel occupies in south Lebanon. Page 9

Violence in Dhaka

Bangladesh declared a state of emergency after political violence rocked the capital Dhaka at the height of an opposition campaign to topple President Hossain Mohammad Ershad.

S Africans killed

At least 20 South Africans were killed in political violence, mostly in renewed fighting between Zulu and Xhosa residents of a squatter camp near Johannesburg.

Riot in Tokyo

Five Japanese radicals fought 5,000 riot police for 10 hours with petrol bombs and a home-made flamethrower from a barricaded building near Tokyo's Narita international airport, police said.

US visit by China

Chinese foreign minister Qian Qichen is to make an official visit to the US this week, the first senior figure from Peking to be accepted since its crackdown on pro-democracy protests last year.

Iraqi boat fired on

US and Spanish warships fired warnings shots to stop an Iraqi freighter in the Red Sea, the French Navy said.

Gabon forms cabinet

Gabon announced a new multi-party cabinet following President Omar Bongo's offer to form a government of national unity after 22 years of one-party rule.

Singapore names PM

Singapore's deputy prime minister Goh Chok Tong was formally asked to form a new government after prime minister Lee Kuan Yew submitted his resignation on Monday after 31 years in office.

Serbian concessions

Opposition parties in the Yugoslav republic of Serbia yesterday reversed their decision to boycott the first multi-party elections in 50 years after forcing concessions from the ruling communists. Page 2

Nice strike ends

Staff at Nice airport, France's largest regional airport, ended a 12-day strike, called to protest against Air France's decision to scrap seven international routes from the city. Page 2

Spy chief sacked

Head of Czechoslovakia's reformed intelligence service was sacked by the interior minister.

Bastion breached

Switzerland's federal court has told the men of the canton of Appenzell Innerrhoden that they must bow to progress and grant their womenfolk a local vote, finally breaching Europe's last bastion of all-male suffrage.

Business Summary

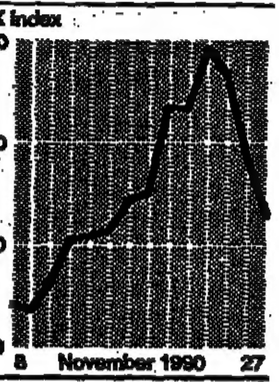
Toyota set to spend $800m and double US output

Toyota is to spend $800m to double the capacity of its US car assembly plant in Kentucky to 400,000 a year. The announcement comes against the background of an already weak US new car market and slumping profits for General Motors, Chrysler and Ford. Page 22

GLAVERBEL, Europe's third biggest flat glass producer, announced that it had made a major investment in Sklo Union, state-owned Czech glass company. Page 23

MARKETS: In Germany the DAX index closed another 27.90 lower at 1,415.26, for a three-day fall of 80.84, or 5.4 per cent and volume stayed sluggish.

Germany



In New York the Dow Jones was up 7.18 at 2,540.35 by midday. In Tokyo the Nikkei closed 139.35 down at 23,623.51. The French CAC 40 index ended 1.32 down at 1,605.92. Back page, Section II

ROSEHAUGH, UK property development group, announced a pre-tax loss of £165.5m ($324m) for the year ended June 30. Page 23

EASTERN Airlines, ailing US carrier already in bankruptcy proceedings, asked the courts to release a further $120m in order to keep it operating through the first quarter of 1991. Page 25

UNITED Distillers, Guinness spirits company, is to buy a 67.5 per cent stake in Asbach, producer of Germany's leading premium brandy. The price is understood to be around £100m ($198m) Page 23

NORTHERN Feather Holding, Danish company whose collapse has shaken the Danish business world, will probably show negative equity capital when the accounts have been completed, receivers warned. Page 24

BRENT Walker, UK leisure and property company which is struggling with a £1.4bn ($2.7bn) debt mountain, failed to complete a crucial £103.3m bond issue on time. Page 23

MR MITSUHIRO Kotani, Japanese stock market raider, pleaded guilty to manipulating the shares of a leisure company. Page 10

COLES MYER, Australian retail chain, forecast improved profits for this year provided trading during December is satisfactory. Page 25

US GOVERNMENT bond prices at the long end recovered from overnight and early session weakness to end higher at midday. Page 26

DUN & Bradstreet, leading business information group, has taken two subsidiaries off the auction block after failing to attract enough interest or offers from prospective buyers. Page 25

PEPSICO, US drinks multinational, received the go-ahead to end the Perrier mineral water group's 27-year-old contract to bottle and distribute Pepsi-Cola in France. Page 24

CREDIT FONCIER de France, government-backed agency which finances housing and construction, was the focus of continuing controversy over the issue of Eurobond pricing and profitability. Page 27

Hurd and Heseltine withdraw from Conservative leadership battle and pledge support for new premier

Major to be UK prime minister

By Philip Stephens, Political Editor, in London

MR John Major, Britain's youngest prime minister for a century, pledged last night to reunite the Conservative party and lead it to victory at the next general election.

His decisive defeat of Mr Michael Heseltine, former defence secretary, in yesterday's Tory leadership ballot was followed by a promise to heal "totally and absolutely" the divisions opened by the enforced resignation of Mrs Margaret Thatcher.

Senior colleagues said his victory, at the age of only 47, would transform the Tories' electoral prospects. It had reopened the possibility of a general election in mid-1991. Mr Major instantly won warm endorsements from both Mr Heseltine and from Mr Douglas Hurd, the foreign secretary and his other opponent in the leadership race.

His first Cabinet, expected to be announced today, is likely to comprise a broad coalition from from all wings of the party. Mr Heseltine is likely to be offered a senior post.

Mrs Thatcher, forced out of the contest by Mr Heseltine last week, said: "I am thrilled and delighted John Major is to succeed me as prime minister." She offered him her full support during the leadership contest.

Mr Major has indicated that there will be no dramatic shift in policies under his premiership. But he is pledged to introduce a wide-ranging review of the community charge, the locally based tax; to inject more resources into the education system; and to restore party unity on the divisive issue of European integration.

Senior ministers who are expected to remain in Mr Major's cabinet said that the poll tax review was likely to cover three key areas: the possibility of a surchange for those on the highest incomes; the removal of some services such as education from local authority control; and the complete exemption from the tax from those on the lowest incomes.

Such radical changes might have to wait until after the general election but could be included as a firm promise in the Conservative manifesto. In the interim, there would probably be improvements to the present system of reliefs and rebates.

The 185 votes cast for Mr Major in yesterday's leadership ballot technically fell just short of the overall majority of 187 needed for outright victory. But Mr Heseltine, with 131 votes, and Mr Hurd, with 56 votes, immediately withdrew from the race and offered their support to the new prime minister.

Mr Heseltine, whose direct challenge to Mrs Thatcher had appeared to put him in sight of Downing Street, suffered from a backlash among Conservative activists in the constituencies. With Tory MPs seeking a leader who could reunite the party, Mr Heseltine's vote fell from the 152 he received in the first round.

Mr Major will travel to Buckingham Palace this morning when he will be asked by Queen Elizabeth to form a government. He is expected to announce his first cabinet later in the day amid a general expectation at Westminister that Mr Heseltine will be offered a senior post.

There was speculation that Mr Heseltine might replace Mr Kenneth Baker as party chairman, but there were also suggestions that he could be offered a range of other departments, including environment.

Senior ministers said that Mr Major was expected to resist pressure from the right of the party to exclude Mr Heseltine from the cabinet.

Mr Hurd appears certain to remain as foreign secretary. Mr Norman Lamont, chief secretary to the Treasury, has emerged as the favourite to replace Mr Major as chancellor of the exchequer, but Mr Kenneth Clarke, education secretary, and Mr Chris Patten, environment secretary may also be candidates.

Most of Mr Major's support in the leadership campaign came from the right of the party, but throughout the contest he insisted that he was not in the "thrall" of those MPs who had previously backed Mrs Thatcher.

He is expected to stick with many of her policies, but to slow the pace of radicalism in many areas and to adopt a more pragmatic approach to issues such as privatisation, public spending and tax cuts.

Mr Major's victory marked the conclusion of the most meteoric rise in recent political history.

Ashley Ashwood

Britain's next prime minister, John Major, in London yesterday: his first act, to "absolutely win the general election"

ON OTHER PAGES

Victory boosts hopes of positive attitude on Europe

STERLING strengthened amid hopes of an early cut in interest rates after Mr John Major's success in the Conservative party's leadership ballot, write Peter Marsh and Rachel Johnson in London.

Share prices in London are expected to be marked up in early trading today as financial markets interpreted Mr Major's victory as ushering in a new period of stability in UK politics and a more positive attitude to European economic integration.

Immediately after Mr Major's triumph, the pound added nearly half a cent in New York midday trading to about $1.9800, before easing.

Against the German currency it climbed by half a pfennig before falling back close to its previous level at about DM2.922. Earlier in London, the pound closed about 1 cent up at $1.9745, but it was about 1 pfennig down at DM2.9236.

Mr Paul Chertkow, chief currency strategist at Citibank, the US bank, said he thought the new government would cut the 14 per cent UK base rate by half a percentage point by mid-December. This would be after government figures are expected to show that the annual inflation rate is on a downward path.

Other economists said Mr Major's triumph could be the cue for a statement from the new prime minister about his commitment to Europe, a move which would reassure the markets.

"The City [of London] will welcome Mr Major as prime minister but the real problems of recession and rising unemployment remain," said Mr Neil Mackinnon, chief economist at the London office of Yamaichi, the Japanese bank.

Business leaders and city analysts greeted Mr Major's victory with a warm welcome. They expect him to maintain continuity with Mrs Thatcher's economic policies, while enhancing the chances of a Conservative victory at the next general election.

Mr Major, who was always the City's preferred candidate and has won increasing support among industrialists in the last few days, won praise for his performance as chancellor and for his social vision of a classless society which would deliver social advancement on the basis of merit.

The gilts market rose slightly on the news of his victory but the market has risen four-points in value since Mrs Thatcher's resignation in expectation of a new leader. Traders do not expect it to go much further.

US investors were relieved that Mrs Thatcher's candidate won and thereby assured a continuation of her policies.

"We believe she's correct, Europe doesn't have a very attractive future and therefore a rush to join it would clearly be a mistake," said Mr James Coxon, senior vice-president at Cigna Investments.

However, the City's reaction was cautious. While most analysts expect a base rate cut before Christmas, they also stressed the electoral risks of the recession.

European car makers to form new grouping without Peugeot

By Kevin Done, Motor Industry Correspondent, in London

THE western European automotive industry moved yesterday to isolate Mr Jacques Calvet, chairman of Peugeot and the most vociferous opponent of Japanese car imports in Europe, by disbanding CCMC, the Committee of European Community Automobile Makers.

CCMC is the most prestigious pan-European auto industry organisation, grouping the chairmen or chief executives of 12 leading European vehicle makers.

At a meeting in Paris yesterday a group including Mr Edzard Reuter, chairman of Daimler-Benz, Mr Eberhard von Kuenheim, chairman of BMW, Sir Graham Day, chairman of Rover, Mr Raymond Levy, chairman of Renault, Mr Umberto Agnelli, vice chairman of Fiat, and Mr Pehr Gyllenhammar, chairman of Volvo, decided to form a new European auto industry organisation to replace CCMC.

The row erupted over Mr Calvet's refusal to accept the principle of majority voting in CCMC in place of the present system of unanimous decision-making.

CCMC comprises 12 members, the chairmen or chief executives of Daimler-Benz, BMW, Volkswagen, Porsche, MAN Nutzfahrzeuge, Rover, Volvo Car BV, DAF, Fiat, Rolls Royce Motor Cars, Renault and Peugeot.

In the face of Mr Calvet's veto of majority voting, the other 11 members decided to resign from the organisation.

Mr Eberhard von Kuenheim, the longest-serving European motor industry leader and a founder of CCMC in 1972, was given the task of forming a replacement organisation.

European car makers have been dismayed at the inability of CCMC to become an effective voice for the European auto industry, not least in Brussels, because of the power of Mr Calvet's veto.

They are particularly concerned about the rapid development of the Japanese auto industry's lobbying power in Brussels. Jama, the Japan Automobile Manufacturers Association, has moved its main European lobbying organisation to Brussels from Paris.

It was claimed last night that the European auto industry had been prevented from taking a common stance on issues such as Japanese car imports and the building of Japanese car plants in Europe, common vehicle specifications, and on environmental and safety regulations, because a single vehicle maker could block any new policy moves.

The European vehicle makers have now decided to adopt a system of qualified majority voting (80 per cent majority) in their new organisation.

In a further move the 11 car makers, minus Peugeot, have also decided to invite GM and Ford to join their ranks.

Hitherto, both General Motors and Ford of the US have been barred from becoming members in CCMC, despite the fact that they account for more than 20 per cent of the European car market and have fully fledged vehicle operations in Europe.

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CONTENTS

Old enemies find only one way to run a central bank

A parting gift from Chile's outgoing leader, Gen Pinochet (pictured, left), in the form of an independent central bank is winning plaudits in the Third World

Page 6

MARKETS

STERLING
New York lunchtime:
$1.9775
London:
$1.975 (1.9855)
DM2.9225 (2.9325)
FFr9.86 (9.885)
SFr2.4975 (2.49)
Y253.5 (253.0)
£ Index 94.5 (94.5)

GOLD
New York: Comex Dec
$385.8
London:
$385.0 (387.00)

N SEA OIL (Argus)
Brent Jan
$32.65 (33.175)

Chief price changes yesterday: Page 29

DOLLAR
New York lunchtime:
DM1.477
FFr4.9835
SFr1.2557
Y128.25
London:
DM1.48 (1.492)
FFr4.9925 (5.03)
SFr1.259 (1.267)
Y128.3 (128.75)
$ Index 60.0 (60.3)
Tokyo close: Y128.95

US lunchtime rates
Fed Funds $7\frac{3}{4}$ %
3-mo Treasury Bills: yield: 7.234%
Long Bond: $103\frac{13}{32}$
yield: 8.411%

STOCK INDICES
FT-SE 100:
2,159.5 (+7.6)
FT Ordinary:
1,699.7 (+1.1)
FT-A All-Share:
1,038.59 (+0.3%)
New York lunchtime:
DJ Ind. Av.
2,359.60 (+6.43)
S&P Comp
317.25 (+0.74)
Tokyo: Nikkei
23,623.51 (−139.35)

LONDON MONEY
3-month interbank:
closing $13\frac{1}{2}$% ($13\frac{9}{16}$)
Liffe long gilt future:
$87\frac{7}{32}$ ($87\frac{17}{32}$)

EUROPEAN NEWS

UN economic commission calls on west to provide short-term financial relief

E Europe's industrial output down 18%

By William Dullforce in Geneva

INDUSTRIAL production in eastern Europe during the first nine months of the year was more than 18 per cent lower than in the corresponding period of 1989, according to the secretariat of the United Nations Economic Commission for Europe (ECE). Declines varied between 4 per cent in Czechoslovakia and 27 per cent in Poland.

For 1990 as a whole the secretariat's latest bulletin forecasts an average slide of 20 per cent in industrial output and one of 11 per cent in net material product (aggregate net value added in the sphere of goods, the standard measure of output) in eastern Europe.

The ECE calls on western governments and international institutions to give "immediate attention" to short-term financial relief for the countries of the region and to decide how they can better co-ordinate the present multiplicity of western aid programmes.

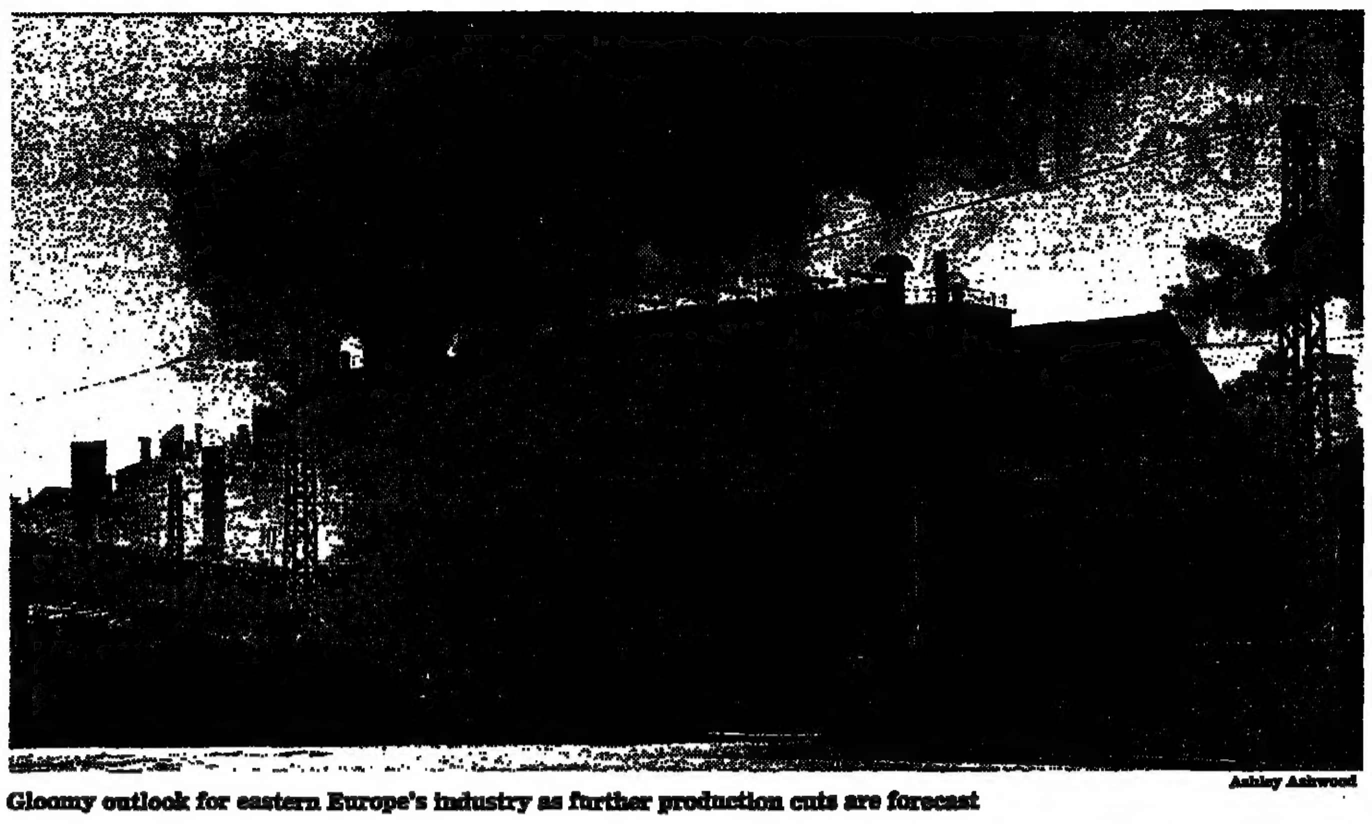
It warns that, with the people of eastern Europe and the Soviet Union facing their hardest winter since the end of the war, the reform process could fail with "incalculable" consequences.

The grim picture of economic developments in the first nine months includes an average 20 per cent collapse in fixed investment in eastern Europe and a 12 per cent decline in the Soviet Union.

Inflation is high and accelerating throughout the region with double-digit annual rates in most, perhaps all, countries. Rough but conservative estimates put the number of registered unemployed at 2.5m in eastern Europe, with a further 2m in the Soviet Union. In Poland alone the number has climbed from 56,000 in January to more than 1m in October.

The ECE secretariat distinguishes two groups of countries. In Poland, Hungary, Czechoslovakia and the former East Germany, the slump reflects the impact of stabilisation policies and efforts to speed economic change. But the problems of these countries have been exacerbated by a "multiple energy shock" and by the breakdown of Comecon.

In the Soviet Union, Bulgaria and Romania the deteriorating situation reflects a "collapse of central control and a failure to embark on an effective reform programme".



Ashley Ashwood

Gloomy outlook for eastern Europe's industry as further production cuts are forecast

The ECE highlights the oil shock to which the east Europeans are being exposed by the decision of the Soviet Union, which supplies some 80 per cent of their oil needs, to conduct trade with them from January at world prices and in convertible currency.

In 1989 the transferable rouble price the east Europeans paid for their oil was equivalent to $7-$8 a barrel, the ECE calculates. An increase from $7.50 to $18, the world market price before the *Gulf crisis*, would have in itself been proportionately larger than the price increase western economies have had to face since the crisis began.

Following the collapse of Comecon trade, Czechoslovakia, Hungary and Poland have had limited success in finding new outlets in the west for their products. Hungary managed to offset about a third of the fall in its Comecon exports by boosting deliveries to the west in the first half of 1990. Helped by a large devaluation of the zloty, Poland's westwards exports grew by 24 per cent in volume.

However, against an average increase in volume of around 5 per cent in exports to the west for eastern Europe as a whole, imports increased sharply by 20 per cent in the first half. The trade balance with the west swung into deficit for the first time since the early 1980s.

The current account deficits of eastern Europe and even more of the Soviet Union have worsened this year at the same time as the cost of new credit has increased, with western commercial banks becoming more cautious in their lending. Most countries have had to draw on their official reserves.

E Germans cut Soviet imports

THE FORMER East Germany has reduced its *imports from the Soviet Union by about 40 per* cent since German currency union according to the Bonn Economics Ministry, writes David Goodhart in Bonn.

Exports from east Germany to the Soviet Union – about 40 per cent of the former country's export trade – have held up since July, however, as Soviet companies rush to buy investment goods from their old east German partners before the introduction of hard currency trade throughout the former Comecon bloc next year.

Hard currency trade will hit east German exports too but yesterday Mr Helmut Haussmann, the Bonn economics minister, told a news conference that east German-based companies could expect generous backing from Her*mes, the export credit guarantee company, for* Soviet trade.

This amounts to a relaxation of the Government's previous opposition to subsidising east bloc trade.

● The financial needs of the newly liberated countries of east Europe are tremendous, possibly as much as Ecu1,000bn (£707bn), according to Mr Jacques Attali, president designate of the European Bank for Reconstruction and Development, writes David Lascelles, Banking Editor.

He told the annual session of the North Atlantic Assembly in London yesterday that failure by the west to aid these countries in their transition to democracy "would be dangerous for the whole world".

Brussels blocks nappy tie-up

By Lucy Kellaway in Brussels

THE EUROPEAN Commission has intervened to prevent what it fears could be a near monopoly in disposable nappies in certain parts of the Community.

Its action means that Procter & Gamble, the US health products company, will have to delay plans for a joint venture with Finaf, the big Italian nappy-maker.

The *Commission fears* that the effects of the deal would be anti-competitive and illegal under Articles 85 and 86 of the Treaty of Rome.

The arrangement between the two companies, which was struck in September, would have given Procter & Gamble's Pampers and Finaf's Lines a near monoply of the Italian market.

The joint venture has alarmed Peaudouce, the French nappy-maker, which fears that its strong position could be threatened by the merger, and has complained to the Commission.

The deal between the two companies would consist in setting up nappy joint ventures in Italy, Spain and *Portugal and would also* involve the acquisition by Procter & Gamble of Finaf's subsidiary in the United Kingdom.

The market for disposable nappies in Europe is showing strong growth, and is already dominated by a small number of companies.

The announcement of the deal between the two companies was made just before the EC's new merger regulation – which allows the *Commission to take action* over certain anti-competitive joint ventures – came into effect.

Commission spokesman said yesterday that the inquiry would take place under the *Treaty of Rome's competition* rules.

The deal will remain suspended until a satisfactory agreement has been reached between the Commission and the two giant nappy-makers that will safeguard competition in the market.

Serbian poll saved after opposition wins concessions

By Laura Silber in Belgrade

OPPOSITION parties in the Yugoslav republic of Serbia yesterday reversed their decision to boycott the first multi-party elections in 50 years after forcing concessions from the ruling communists.

More than 30 anti-communist parties said last week they were pulling out of the elections after the Serbian parliament, dominated by the communists (renamed socialists), refused to let opposition repre*sentatives* take *part* in vote-counting after the poll on December 9.

The opposition had expressed fears that the communists would try and rig the voting.

Faced with the boycott, the parliament of Yugoslavia's largest republic agreed on Monday to amend the electoral law to allow opposition nominees onto electoral commissions.

However, parties representing 2m ethnic Albanians in Kosovo, which was forcibly intergrated into the republic of Serbia, are continuing to boycott the election. Mr Veton Surroi, an Albanian opposition leader, said: "We will not participate in Salvadorian-style *elections, under this virtual state of emergency."*

The election is turning out to be a clear-cut race between Mr Slobodan Milosevic, the president of Serbia, and Mr Vuk Draskovic. Mr Milosevic is an arch nationalist who rose to power three years ago. He won great popularity among Serbs by taking away autonomy from Kosovo.

However, his popularity has slumped since he won 104 per cent of the vote in a one-party election in November last year.

Mr Draskovic, head of the Party for Serbian Renewal, has combined Serbian nationalism with anti-communism.

In doing so, he has forced Mr Milosevic to present himself as the candidate of moderation and the *status quo*.

On a rare public appearance last Friday, Mr Milesovic warned that an opposition victory would mean bloodshed. The threat has fuelled fears that the army will intervene if the communists are defeated in the elections.

From within the ranks of the army, about 80 generals and Mrs Mirijana Markovic, wife of Mr Milosevic, founded a political party which could act as the army's political front in the event of a coup.

Nice airport strike called off

By William Dawkins in Paris

STAFF at Nice airport, France's largest regional airport, yesterday ended a 12-day strike, called to protest against Air France's decision to scrap seven international routes from the city.

The stoppage came after Air France promised to reconsider whether it would take over the freight operations of UTA and Air Inter, its two main French *competitors which it acquired* this year, and gave guarantees to keep the jobs of some temporary workers.

The reductions are part of a complete overhaul of Air France routes, to cut loss-makers in the face of rising fuel and insurance costs.

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هكذا من الأصل

EUROPEAN NEWS

Soviet duo near and yet so far apart

By Leyla Boulton in Moscow

PRESIDENT Mikhail Gorbachev yesterday sat alone in a balcony flanked by a Soviet flag yesterday, looking down as Mr Boris Yeltsin, the Russian leader, went into battle against conservatives in the parliament below.

The extraordinary scene at the specially convened Russian Congress of People's Deputies summed up just how far apart the country's two most powerful leaders are despite the fact they need each other badly.

Mr Yeltsin opened the session with an appeal for deputies to approve sweeping land reform in order to feed the 147m-strong Russian Federation, the biggest Soviet republic.

"There can be no real democracy and real freedom where shop shelves are empty and there are ration cards and coupons," he said.

If approved by the congress, the land reform would allow peasants to acquire land for the first time since private ownership was crushed by collectivisation in the 1930s.

He also rejected Mr Gorbachev's references to a "political struggle" between them.

"Russia learned from experience that political struggle has no future and is very expensive," he said.

But no sooner had Mr Yeltsin finished speaking than hardline Communists began insisting that the congress tackle other issues, in particular Mr Gorbachev's proposed union treaty.

It must have been a pleasant reversal of roles for Mr Gorbachev, who has often been attacked over the past few months by both radicals such as Mr Yeltsin and conservatives such as Mr Ivan Polozhkov, who spearheaded yesterday's opposition to the land reform project.

"There can be no real agrarian or economic reform without revolving the question of Russia and the union," said Mr Polozhkov, head of the new Russian Communist Party.

Mr Yeltsin, who is by far the country's most popular politician, countered that the treaty was not ripe for a decision by the congress.

But he was forced into a tactical retreat by the large number of conservatives in the hall, when he proposed that the treaty become the subject of "an exchange of views" during the two-week congress.

Mr Gorbachev presented the draft treaty to the country on Friday, saying he was sure that all republics would end up signing it.

But Mr Yeltsin does not want to sign the treaty until he has agreed with the Kremlin on how to share out both power and resources on Russian territory.

Mr Gorbachev, who strolled around the lobby during the lunch-break with barely a bodyguard in site, told reporters that negotiations with Russia would be "the most painful".

He said the union as it had existed for 70 years was badly in need of reform.

"But if we replace the union diktat by local diktat then the situation will be even worse," he said.

He also challenged independence-minded Balts and Georgians, who do not want to sign the treaty, to conduct a referendum on the issue.

● The Soviet Union expects to receive western credits to meet urgent food needs this winter, Foreign Ministry spokesman, Mr Vitaly Churkin, said yesterday, Reuter adds from Moscow.

Mr Churkin told reporters after a news conference that the Supreme Soviet would give a full report on what supplies were needed in the next two weeks. It would also give details of the expected suppliers, he said.

Russian president, Mr Boris Yeltsin, addresses yesterday's special congress

Airbus joins the legal proceedings over crash

By Paul Betts, Aerospace Correspondent, in London

AIRBUS INDUSTRIE is joining in the French criminal proceedings over the crash of an Airbus A320 two years ago at an air show in eastern France.

Magistrates are considering whether to charge the two pilots and other officials involved with manslaughter. Three people died in the crash.

An official inquiry blamed the crash on the pilots for flying too low and concluded there was nothing wrong with the A320.

However, Airbus says it has been the victim of an "orchestrated campaign" in France and abroad to undermine the consortium and its best-selling airliner.

It is joining the proceedings to protect its interests.

As an interested third party, it wants to gain access to evidence and other details of the case being prepared against the two pilots in order to protect the interests of the consortium.

Airbus said yesterday that it has pioneered fly-by-wire computer controls in civil aviation.

Pöhl warns against G7 action on dollar

By William Dawkins in Paris

THE GERMAN Bundesbank, yesterday delivered a rebuttal to calls by Mr Pierre Bérégovoy, the finance minister, that the Group of Seven leading industrialised countries try to halt the dollar's plunge.

It was better to handle exchange rate co-ordination privately, rather than resorting to political declarations, Mr Karl-Otto Pöhl, the Bundesbank president, told the Figaro newspaper. "It does us no service to talk publicly of these problems. We are in contact with our US colleagues without need for spectacular meetings for our co-ordination," he said.

The tone, as much as the content, of Mr Pöhl's words is likely to irritate a French government which was yesterday keeping to its position that a G7 meeting was necessary. The French are also keen to provide a balance to the Bundesbank's dominance of European monetary policies.

Foreign exchange markets had "reacted naturally" to the fact that "the US is on the edge of a recession, while Germany is having a boom," he said.

Italy joins agreement to relax frontiers

By Ian Davidson in Paris

ITALY yesterday became the sixth European Community member to sign the Schengen agreement, which will permit the abolition of all internal frontier controls preventing the movement of people after 1992.

In addition, Spain and Portugal yesterday joined the Schengen system as observers, with the clear intention that they should eventually become full members.

The Schengen agreement of 1985, and the implementing convention signed last June, provide for the suppression of frontier controls in exchange for extensive co-operation on visa, immigration, asylum and police policy.

The five original signatories were France, Germany and the three Benelux countries.

Mrs Elisabeth Guigou, the French European affairs minister, hoped the Italian accession would be a prelude to an agreement between all 12 member states.

However, Britain has made clear that it opposes the removal of border controls within the EC, and intends to maintain its own controls for the purpose of controlling immigration.

The Schengen system has been designed to ensure that the member states can move without risk to a single market for the free movement of people.

The move would thus parallel the single market for the free movement of goods, under the Community's 1992 programme.

To prevent the spread of criminality or clandestine immigration between member states, there has been an agreement to adopt a common visa and asylum policy, to share crime data, and to permit police pursuit of criminals across frontiers.

At yesterday's meeting, the six member states discussed a German request for the joint abolition of short-term visas for visitors from Poland.

Mrs Guigou indicated that the whole Community would be affected by such a move, which ought preferably to be decided by the 12.

EC urged to help eastern Europe's economic growth

By John Wyles and Sari Gilbert in Rome

THE European Community's plan to negotiate special association agreements with Poland, Hungary and Czechoslovakia is "incomplete" and needs the addition of an institutional framework, Mr Renato Ruggiero, Italy's minister for foreign trade, said here yesterday.

However, Mr Horst Krenzler, director general of the European Commission's external relations directorate, said negotiations with Poland, Hungary and Czechoslovakia should begin before the end of the year. But future membership of the EC is not the ultimate objective of the agreements to be reached, he said.

Opening the second day of the Financial Times conference on Business in central and eastern Europe, Mr Ruggiero argued that the EC should encourage collaboration between the three east European countries to help solve their problems in moving to a market economy.

He suggested that there should be a parallel to the Organisation for European Economic Co-operation, which was set up with US encouragement after the last war.

A similar intra-European body would produce "common development programmes" for both halves of Europe, he said.

Urging the EC to take a leadership role in helping the USSR and eastern Europe through their difficult transitions, Mr Ruggiero said the immediate tasks were the sending of food aid to the Soviet Union, balance of payments aid for central and east European countries – whose total financial requirements in 1991 would be around $15bn – and the launch of a "human Marshall Plan" to supply technical and managerial resources to develop local "knowhow".

But Mr Oleg Mozhaiskov, a board member of the USSR State Bank, gave a gloomy picture of the threat posed by political and economic separatism to efforts to create a market-oriented financial system in the Soviet Union.

It was misleading now to talk of 15 Soviet republics: there were actually more than 50 "subjects of the federation" which are national republics enjoying equal political treatment within the union. Many were now claiming the right to have their own central banks with currency-issuing rights.

The Soviet Union's transformation in just two years from a safe-country risk for private commercial bankers to one in which the prospects for new loans "are very poor" was dwelt upon by Mr Axel Lebahn, director of Deutsche Bank's central international department.

"It is important for Moscow and the republics to decide where they want to go because otherwise we cannot decide what we can do to help them," he said.

Earlier, Count Giovanni Auletta Armenise, chairman of Banca Nazionale dell'Agricoltura and the conference chairman for the day, said that the Italian banking system's exposure in eastern Europe was L10,000bn.

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BUSINESS IN EASTERN AND CENTRAL EUROPE

Countries in the area needed efficient financial systems to handle the credits which western governments were making available, he said.

Mr Eberhard von Koerber, executive vice-president of Asea Brown Boveri Group of Zurich, spoke on the contribution of western industrial expertise to central and east European growth.

He saw three major incentives for western European investment in an area beset by vast political, social and economic instability: an increased standard of living by the region's population meant that significant market opportunities exist.

But he added that western business also has a responsibility in that they should provide jobs and income in an area where "hundreds of millions of people are expecting quick and tangible results" from economic reform.

The transfer of both technology, including environmental protection techniques, and management skills will lead to further growth. And the vast financial facilities that are being established will transform the area as long as they are directed into investment rather than consumer goods. The west "can't afford large-scale financing into stomachs", he said.

In a speech read in his absence, Mr Sergio Pininfarina, president of Pininfarina SpA and Confindustria, said that although the economic situation was unlikely to improve in the immediate period, the process of change in central and eastern Europe was "irreversible" and that Italy was in a good position to expand its presence in eastern European markets and take advantage of the new opportunities there.

The final address to the conference was made by Mr Franco Nobili, chairman of IRI, who spoke of the challenge eastern Europe posed to the west and to Italy.

He said that Italy has long been an important trade partner for eastern Europe. The new credits and the recent establishment of Simest, an agency designed to encourage co-operation among medium-sized Italian and east European companies, will provide enterprises with new opportunities.

Mr Nobili warned, however, that so far Italian industry had failed to co-ordinate attempts to penetrate the new markets.

But the real challenge for Italy would be to find the necessary resources for expansion at a time when the Italian public sector deficit was equal to 10 per cent of gross domestic product while the public debt equalled GDP in size.

Other disadvantages were the meagre investments in research, which meant Italy had little technology to offer its new eastern partners.

The large trade deficit vis a vis the Soviet Union is also a *problem*. But several factors were working in Italy's favour, namely its expertise in innovative productive processes, and the fact that Italy's principal competitor in the area, Germany, is involved in the reunification process.

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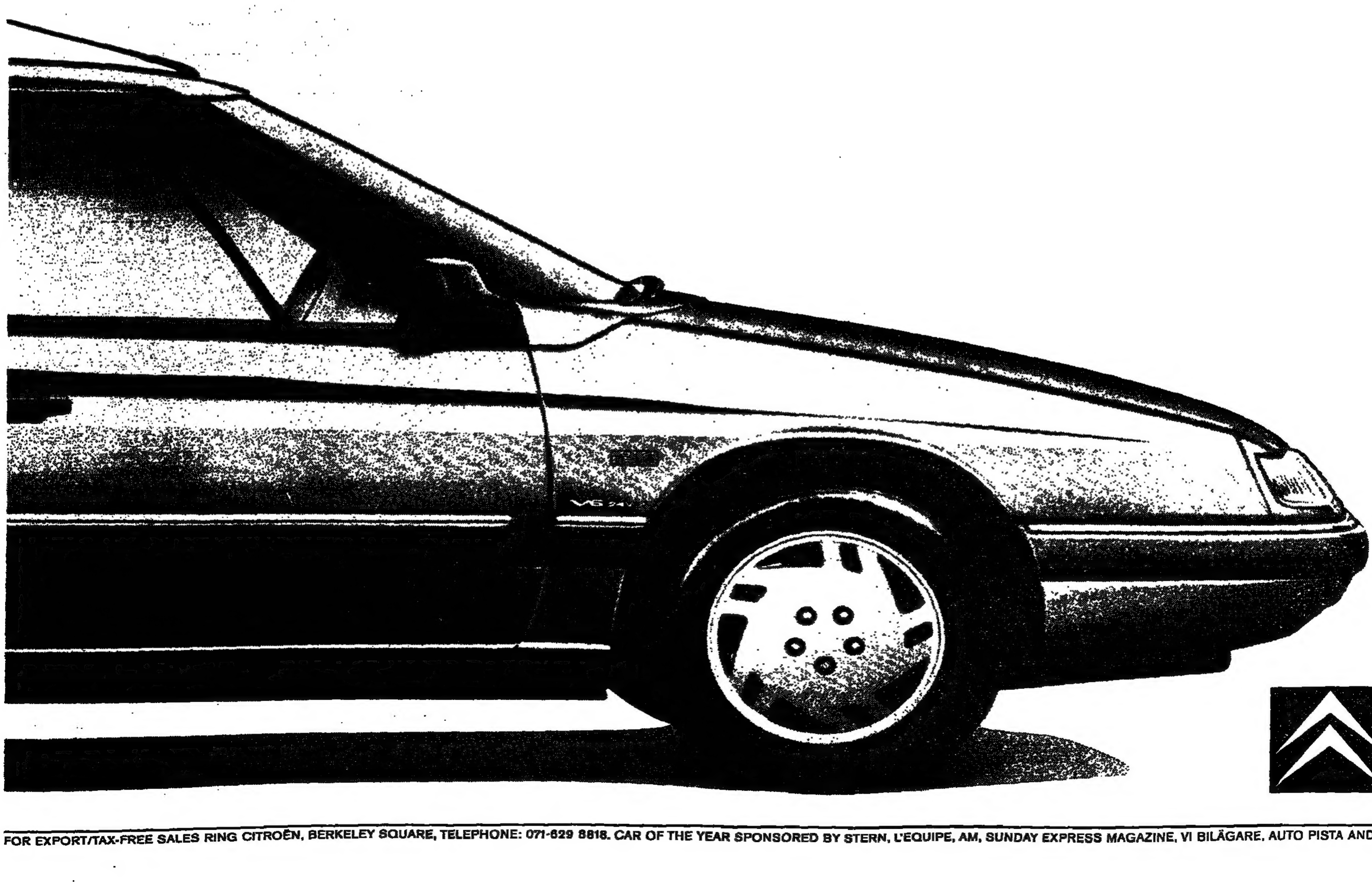

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WORLD TRADE NEWS

Declared stances must be dropped to win trade pact, says Dunkel

By William Dullforce in Geneva

THE FAR-REACHING liberalisation of world trade, under negotiation for four years, now depends on governments abandoning their declared positions, Mr Arthur Dunkel, Gatt Director-General, said yesterday.

World trade ministers had to find a way out of the crisis, into which Gatt's Uruguay Round has fallen, in the "first hours, first days" of their scheduled five-day meeting in Brussels, starting on Monday, Mr Dunkel added.

His call underlines the fragility of hopes for a breakthrough in agriculture in the "first hours, first days" next week. He was presenting the 390-page final document, embracing 21 potential agreements, to be tabled in Brussels. It contains no results on farm trade reform, trade-related investments and anti-dumping moves. All the draft agreements in the other 18 sectors are speckled with options from which ministers must choose.

On breadth of the areas covered and high quality of the work achieved, the final document had no precedent in trade negotiations, Mr Dunkel said. But the ministers had swiftly to unblock impasses in crucial areas such as farm trade, services and textiles. Mr Dunkel did not name the governments which must change policies, but was clearly referring chiefly to the EC in agriculture and to the US in services.

In place of an agreement on farm reform, the final document includes nine questions which Mr Dunkel has posed to the trade ministers as an agenda for discussion, and a way of stopping the talks "continuing to run in circles".

The document summarises the farm reform offers submitted by 17 participants and reprints the draft text of an agreement drawn up by Mr Aart de Zeeuw, chairman of the farm negotiating group. Leaders of the G-7 industrial powers agreed in July that the de Zeeuw text should be used "as a means to intensify the negotiations".

Mr Dunkel's questions aim first at compelling ministers to agree a standstill on farm assistance and to determine the bases for cuts in internal supports to farmers. He then calls for explicit answers to the two most controversial questions, whether separate commitments are to be made to reduce border protection and export subsidies.

So far, the EC has seen changes in these two areas as emerging from its offer to cut by 30 per cent its internal supports for primary commodities. The US and the 14 farm-exporting nations of the Cairns Group have stood firm for explicit commitments to cuts in all three areas, including cuts of 90 per cent in export subsidies and 75 per cent in border barriers. EC trade and farm ministers will hold a council on Sunday evening but, reports from Paris say, are unlikely to agree any change in the EC position then.

Mr Louis Mermaz, France's agriculture minister, on Monday encouraged farmers to stage a huge demonstration in Brussels. This could help the EC fend off calls for deep cuts in farm subsidies, he said.

On services, the second most controversial issue in the round, the final document asks world trade ministers to settle the crucial question of whether Gatt's most-favoured-nation (MFN) rule is to be included as an overall obligation in a General Agreement on Trade in Services (Gats).

Under MFN, a government must extend to all other countries benefits extended to one. The US put the services talks into deadlock by insisting that governments should retain the power to decide whether or not to extend benefits negotiated with one country to others. The draft Gats omits financial services. The content of a financial services annex depends on how the MFN issue is settled, the document says.

World trade 'should stay buoyant despite Gulf crisis'

WORLD TRADE FLOWS should remain buoyant this year despite the Gulf crisis and the sharp rise in oil prices, the General Agreement on Tariffs and Trade (Gatt) reports today*, Peter Montagnon writes.

It expects world trade volume to grow about 6 per cent this year, against 7 per cent in 1989 and 8½ in 1988. In the first half, trade volume rise was marginally below last year's level, but the growth rate could slow if oil-importing countries cut other purchases and oil exporters do not spend revenue earned from higher prices.

The medium-term outlook is clouded by the possibility that interest rates may have to rise if savings rates stay at current levels. This would curtail investment plans and cloud *growth opportunities*, Gatt says.

It reports the value of world trade up 7½ per cent to a record \$3,100bn (£1,581bn) last year. Though growth was barely more than half the 14 per cent rise recorded in 1988, it was still above the average for the decade as a whole.

The US displaced Germany as the world's biggest exporter, with exports worth \$364bn, giving it an 11.8 per cent share in world merchandise trade. Japan came third, with France and the UK fourth and fifth respectively.

Commercial services trade, including transport, telecoms, banking and insurance, grew 9 per cent to an estimated \$680bn last year, accounting for nearly one-fifth of world exports. Gatt says manufactured exports were the main *motor for trade growth* last year. Manufactures now account for 70 per cent of world merchandise trade and this group contributed 80 per cent of 1989's trade volume rise.

Higher oil prices lifted the value of trade in mining products, though volume growth in this sector slowed. By contrast, weak prices slowed trade growth in farm products, though their volume rose more rapidly.

Taking the 1980s as a whole, trade volume rose 50 per cent and its value, measured in dollars, by three-quarters. From 1983 on, trade grew faster than economic output, making it a motor for economic growth and world economic integration.

The analysis suggests there may be less to fear from the *creation of regional trading* blocs than some have suggested. Trade flows between west Europe, North America and Asia grew on average faster than trade within those regions in the 1980s, suggesting the evolution not of inward-looking trade blocs, but of trade centres with world-wide commercial interests.

The choice facing other regions is not to align with any special bloc but to base their development strategy on access to the entire world market. The report points to the growing importance of foreign direct investment, the stock of which it says more than doubled to around \$1,500bn in the 1980s. Services-sector investment had shown the most significant growth.

**International Trade 1989-90. Volume I. Available from the General Agreement on Tariffs and Trade, Centre William-Rappard, 154, rue de Lausanne, 1211 Geneva 21, Switzerland. SFr30.*

GATT

Australia softens attack on EC over Uruguay Round

AUSTRALIA yesterday toned down its criticism of the EC's approach to the Uruguay Round of trade talks, and indicated a compromise between the EC and the Cairns Group of 14 agricultural producers might still be possible, Kevin Brown writes from Sydney.

Mr Neil Blewett, Australia's trade negotiations minister and chairman of the Cairns Group's trade ministers, repeated warnings that the round could fail without agreement on agriculture.

But he said there was "no point" in threats by some Latin American members of the Cairns Group to force the round to a crisis by walking out. He indicated Australia was ready to compromise with the EC on the depth of cuts in internal subsidies and export support payments, the issues at the heart of the dispute.

"We are prepared to be flexible. But we expect the same flexibility from the Europeans. We recognise we have to try to pursue a compromise, but a compromise is not one group moving from their position simply to accept the position of another."

Several weeks might be needed for further talks with the EC after next week's Brussels ministerial meeting.

His comments mark a change in the Australian approach. The Cairns Group has proposed a 75 per cent cut over 10 years in farm-producer subsidies and protective tariffs, and a 90 per cent cut in export support payments over the same period. The US has tabled broadly similar proposals.

'Progress uneven' in loosening telecom monopolies' grip

INDUSTRIALISED countries have made uneven progress in loosening the grip of national telecommunications monopolies, an Organisation for Economic Co-operation and Development (OECD) report* warns today, William Dawkins reports from Paris.

The study, for a meeting of officials from the OECD's 24 member countries to discuss telecoms policies, starting today, is satisfied that "competition, once the exception in telecommunications, is quickly becoming the norm." Yet market distortions still exist, to the cost of consumers and suppliers seeking to break into smaller or less liberal countries.

The OECD finds "little justification for the wide range" in phone charges between different countries; it says the system for setting international call rates unfairly penalises operators with low charges, telecoms authorities sometimes publish misleading advertising on the quality of services, and "considerable scope for reform" of type-approval procedures exists.

Generally, phone calls are cheaper in northern than southern Europe. Internal-business calls in Turkey cost 10 times as much as in Iceland. On average, German charges are twice those in Denmark, Sweden and Finland. "High charges... are more than just an inconvenience; they can seriously damage competitiveness of firms and constrain social interaction."

The study disapproves of the present system for setting international rates. This penalises countries which generate more outgoing than incoming calls, so amplifying telecoms trade imbalances, and this will get worse unless a fairer system can be devised. It will be discussed in the current Uruguay Round, which will try to set Gatt rules for telecoms, assuming the farming impasse can be resolved.

The study criticises the time and expense of getting foreign equipment approved for sale; it can take on average four months and cost \$5,000 (£2,551) across the OECD. The costliest country is Norway, where suppliers must pay nearly \$14,000. France is slowest, with an average 150-day wait for approval. Germany and Japan showed the biggest rise in applications for type approvals, after deregulation, but these have been stagnant in smaller OECD countries.

The growing imbalance in the \$13.2bn OECD telecoms equipment export market "needs to be a major topic of discussion". Japan's share of the OECD equipment market doubled to 34 per cent for 1980-1987, while the EC's share fell from 53 per cent to 39 per cent. British Telecom had the highest net profit margins of any operator in the OECD two years ago. France Télécom had the lowest.

**Communications Outlook 1990; OECD, 2 rue André-Pascal 75775 Paris Cedex 16.*

Fresh drive for talks on N America free trade pact

TRADE ministers from the US, Canada and Mexico are setting up a trilateral meeting during next week's Uruguay Round meeting in Brussels to give new impetus to talks on a North American free trade pact, Bernard Simon reports from Toronto.

A Canadian trade official said yesterday the ministers would review work done by officials of the three countries over the past two months in laying out a framework for substantive negotiations towards a trilateral agreement. The formal talks are expected to get under way next spring.

Ottawa is pressing ahead with the negotiations, despite considerable domestic opposition. The government believes a trilateral agreement can be achieved by the end of 1991.

Canada's two-way trade with Mexico totalled C\$2.3bn (£1bn) last year, equal to over 1 per cent of its trade with the US. Motor vehicle components are the biggest item in both directions, and Canadian unions are especially concerned about the future of Canada's relatively high-cost motor industry under a free trade arrangement.

Italians may buy German companies

LEADERS of Italian public and private industries, with Mr Renato Ruggiero, foreign trade minister, fly to Berlin today to examine buying companies under Germany's privatisation programme, John Wyles reports from Rome.

The 60-strong mission follows an appeal by Chancellor Helmut Kohl for Italian involvement. Mr Ruggiero said grants of up to 23 per cent of the purchase price and 6 per cent loans were attractive incentives.

Volvo drops US plan

VOLVO of Sweden has decided not to share in US General Electric's \$1.5bn (£760m) programme to develop a new large thrust commercial jet engine, the GE90, Paul Betts reports.

Snecma of France, Fiat of Italy and IHI of Japan have all agreed to join GE in developing the engine to equip the new generation of wide-body aircraft. Volvo had decided to pull out of the talks because it could not commit itself at this stage to another aero-engine programme.

Belgian credits move

Belgium is considering plans to put its export guarantee arm, the Office National du Ducroire (OND), on a sounder financial footing, David Buchan reports from Brussels.

The OND has had to borrow on the capital markets to cover bad export risks in developing countries and eastern Europe, and now has barely enough premium income from insurance premia and debt repayments to service its BFr17bn (£283m) debt. The government is considering "buying" out the bulk of this debt with a 30-year, fixed interest rate loan of BFr12bn. Some of this will be forgiven.

EC 'dumping' check

THE European Commission is to investigate alleged dumping of silicon metal in the EC by Brazilian producers, Lucy Kellaway reports from Brussels.

The investigation follows a complaint from EC steel alloy makers alleging imports from Brazil have grown sevenfold between 1985 and 1989.

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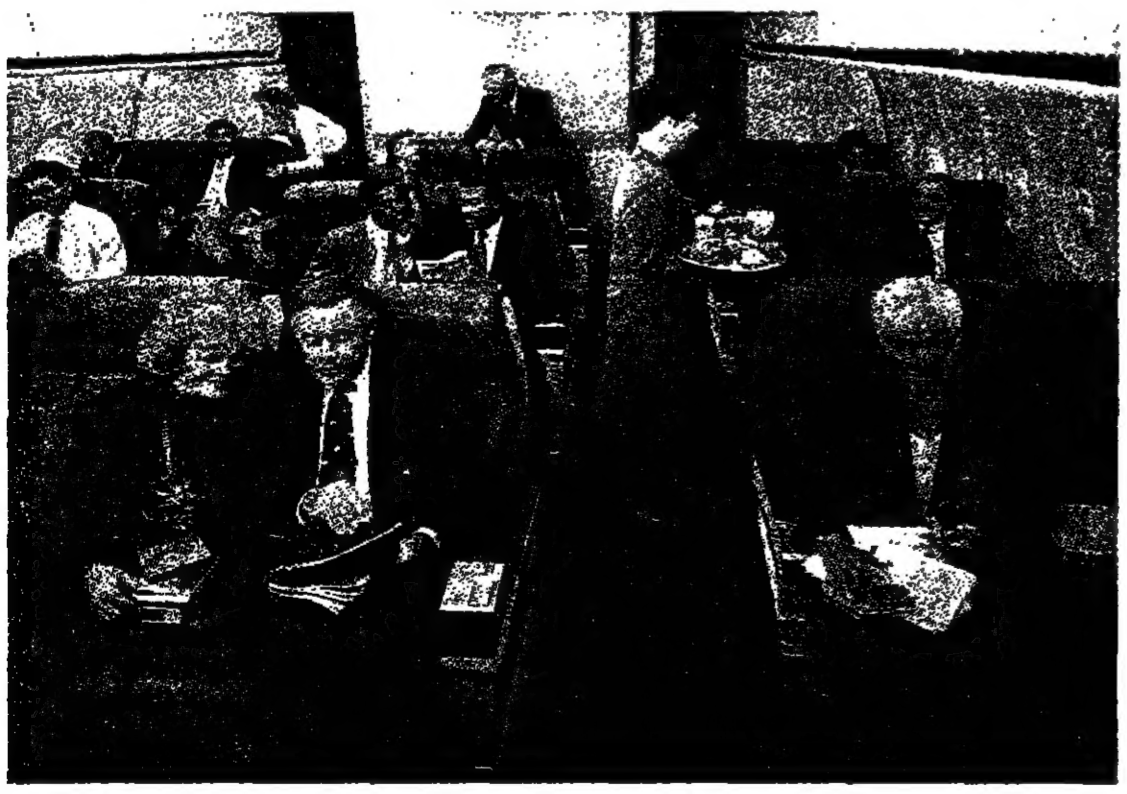

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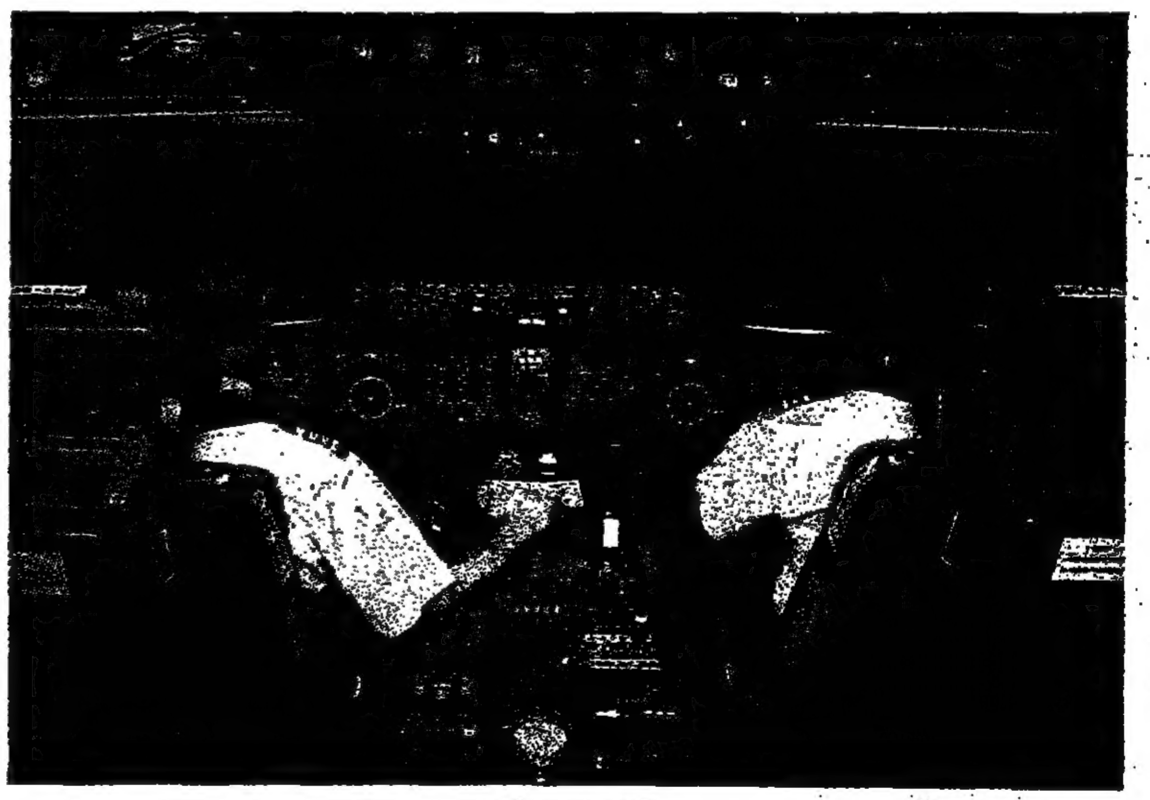

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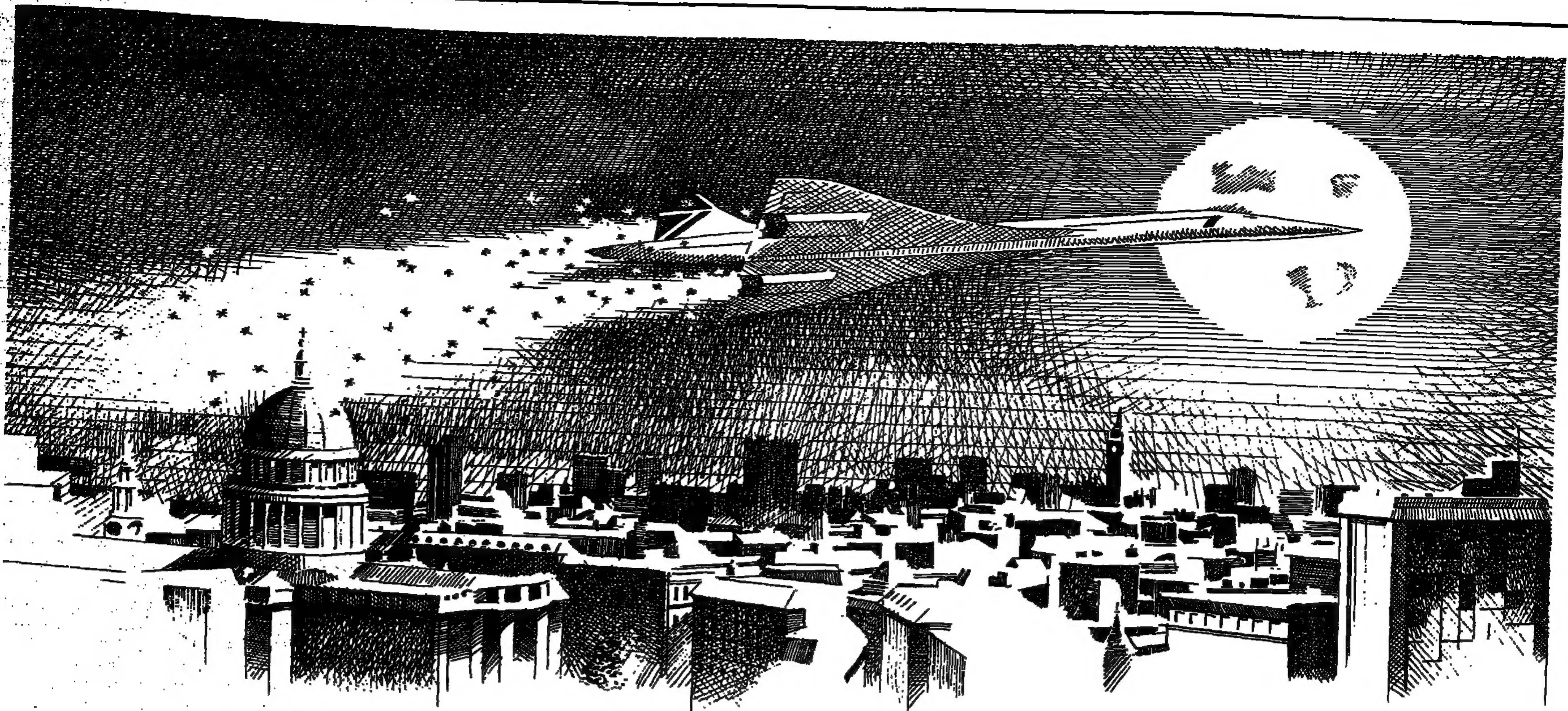

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Congress reviews Bush policies on Gulf

By Peter Riddell, US Editor, in Washington

THE US Congress yesterday started a review of the Bush administration's Gulf policy *amid increasing fears among* legislators about the possibility of a war early next year.

Senior officials have declined to appear until after a United Nations Security Council resolution authorising the possible use of force is approved, probably late tomorrow.

Both Mr Dick Cheney, the defence secretary, and General Colin Powell, chairman of the joint chiefs of staff, will testify on Monday before the Senate Armed Services Committee, *while Mr James Baker*, the secretary of state, will appear before the Senate Foreign Relations Committee in a week.

Senator Sam Nunn, the influential Democratic chairman of the Senate Armed Services Committee, said the administration's decision nearly three weeks ago substantially to increase the number of troops in the Gulf was "a fundamental shift in the mission of US military forces" away from deterring further *Iraqi aggression to a military* aim of liberating Kuwait.

The senator said several questions had to be answered, including whether it was in US vital interests to liberate Kuwait through military means by a largely American military force, how long it would be possible to sustain a force of more than 400,000 troops in Saudi Arabia, whether President Bush had limited US options by creating a "use it or lose it" situation, *how durable the multinational* coalition was, and what should be the ultimate US objectives in the region.

He argued that the likely UN resolution "is not a substitute for fully informing the American people of our own nation's objectives and strategy."

The question was not whether military action was justified but whether it was wise at this time and in the US national interest, the senator concluded.

The committee will this week hear from a variety of former senior officials and service chiefs, and from intelligence and strategic experts.

Senator Edward Kennedy said: "It is not enough for President Bush to go to the UN to get approval for the use of military force in the Gulf. He must also come to Congress."

In the swing: George Bush enjoys a rodeo organised by Mexican President Carlos Salinas

Mexicans welcome 'era of US respect'

By Richard Johns in Monterrey

A "NEW ERA" has begun in Mexican relations with the US, based on reciprocal respect, President Carlos Salinas de Gortari said yesterday at a *euphoric summit meeting* with President George Bush.

The meeting has created a positive atmosphere before *negotiations on a free-trade* agreement (FTA), due some time next year.

In an exchange of addresses from the balcony of the state of Nuevo Leon's gubernatorial palace, Mr Salinas attributed the dramatic improvement during the two-year life of the respective administrations to the understanding and sympathy shown by Mr Bush to Mexico.

Earlier though, in the village of Agualeguas, the Salinas family's ancestral home, a sober note was sounded by Mrs Carla Hills, US trade representative, who warned there could *be no guarantee of the US Con*gress approving a "fast-track" approach to trade negotiations.

She said everything would be *open to discussion* and it had not been decided whether US access to Mexican oil reserves would be covered.

Mr Bush put the emphasis during his talks with Mr Salinas on working towards "free and open trade, so vital to creating jobs in your economy and our own".

Among the issues being discussed were reconstruction in central America, restoration of *stability in the Gulf and suc*cessful conclusion of world trade talks. The US has already insisted on completion of the Uruguay Round bargaining within the General Agreement on *Tariffs* and Trade taking precedence over FTA talks.

Canada's status or participation remains unresolved and is *a potentially thorny issue* between Washington and Ottawa. Mexico wants to start off on a strictly bilateral basis while Canada, having reached agreement on negotiations over a parallel and complementary FTA accord, wants to be as fully consulted as possible.

Mexican human rights abuses and flawed democratic procedures have been off limits during Mr Bush's visit.

Peru budget seeks to raise taxes

By Sally Bowen in Lima

PERUVIANS will face a three-fold rise in taxes next year if budget proposals which were presented to Congress late on Monday are approved.

The proposals will mean taxation levels equivalent to 12 per cent of GDP, (gross domestic product) or about $5bn for fiscal 1991. This would be higher than Peru's total income from exports – which is projected at $3.48bn for next year.

In an eight-hour presentation to the joint budget commission of Senate and Deputies, Mr Juan Carlos Hurtado Miller, the premier and minister of the economy, promised to present a series of detailed tax reform proposals by the end of this week.

Peru's current wide range of taxes is expected to be slashed to nine or 10, but economists question the ability of Peru's *tax administration to collect* the monies.

If approved as presented, the budget will amount to some $4.5bn. It envisages a modest 2.8 per cent growth in production for 1991 and allocates 28 per cent of the total to national security.

About $747m, equivalent to 13 per cent of GDP, would be designated for external debt servicing.

The budget proposals are based on an exchange rate of around 600,000 intis to the dollar for next year, compared to the present rate of 435,000.

Last week Peru adjusted the inti against the dollar from the previous rate of 432,906.

Newly constituted regional governments are highly likely to challenge the budget proposals. Their requests for financing have recently been slashed and a supreme decree has returned nine major regional development schemes to a *central government administra*tion.

Suit against Drexel client

By Nikki Tait in New York

THE Securities and Exchange Commission yesterday filed a civil lawsuit against Mr David Solomon, an important client of Drexel Burnham Lambert's high-yield department, accusing the former investment manager of fraud and securities law violations.

Among other things, the suit alleges Mr Michael Milken, the high-yield department's former head who was last week sentenced to 10 years' imprisonment for securities law offences, or other Drexel employees provided Mr Solomon with inside information concerning, or obtained from, Drexel clients.

Without admitting or denying the allegations, Mr Solomon has agreed to pay $7.9m (£4.03m); of this $7.3m is for alleged profits from transactions and the remainder is a penalty.

Old enemies find only one way to run a central bank

Leslie Crawford on Chile's monetary independence

MR JUAN Eduardo Herrera, one of the five councillors of Chile's central bank, has a sign above the mantelpiece of his oak-panelled office which reads: "Lefties do it better."

He is a Social Democrat and an economist who was a strong critic of Chile's former military regime. He now sits on the bank's executive board with Brigadier Enrique Seguel, General Augusto Pinochet's last finance minister.

Chile is the only country in the developing world that has an independent central bank. Its autonomy statutes were Gen Pinochet's parting gift before he stepped down in *March. This was a calculated* political decision, designed to put the bank beyond political control and lock future governments into following a market-oriented economy.

Gen Pinochet was to have appointed all five councillors, but after tough negotiations *with President Patricio Ayl*win's incoming government, a compromise was reached: Mr Aylwin nominated two members – Mr Herrera and Mr Roberto Zahler, a Christian Democrat like Mr Aylwin, and a senior UN expert on monetary policy. Gen Pinochet picked Brigadier *Seguel* and Mr Alfonso Serrano, the bank's vice-president, and both parties agreed on an independent economist, Mr Andres Bianchi, as president.

This cauldron of opponents and supporters of the former regime had all the ingredients of a political disaster. But, according to the councillors, it has worked much better than expected.

One of the main criticisms levied against the bank since it gained independence in January is that the collegiate system of decision-making has been too slow and that efficiency has been sacrificed for the sake of consensus.

The councillors concede that there may have been a few teething problems as they grew into their jobs, but Mr Bianchi adds in their defence: "More people have to be consulted in a democracy than in an authoritarian context. But this means that the measures that are *finally adopted* are the product of a deeper analysis."

The bank has also been under close scrutiny for any signs of discord with the finance ministry. The relationship so far has been a model of harmony, largely because both teams agree that Chile's top economic priority remains the fight against inflation. So while the central bank has held the economy in a tight *monetary grip, Mr Alejandro* Foxley, the finance minister, has reined in government spending and may even end the year with a small fiscal surplus.

Enrique Seguel: picked by Gen Pinochet

In fact, the bank's autonomy has worked to Mr Foxley's advantage, because he has been able to deflect most of the political flack over unpopular economic measures on to the bank. It is the bank, in charge of controlling the money supply and exchange rate policy, that has been the main target of businessmen's wrath. They accuse it of engineering a *recession by forcing interest* rates through the roof.

On the other hand, few can criticise Mr Foxley's efforts at reallocating the government's meagre resources in favour of the neediest. The minimum wage and pensions have been raised and more money has been pledged for health and housing.

The bank's monetary squeeze is unpopular, but it argues that it inherited an overheated economy. Gross domestic product grew by an unsustainable 10 per cent last year and inflation was running at an annualised rate of 30 per cent.

The bank has also had its *share of* unpredictable bad luck. Just as inflation was beginning to fall, at the cost of a sharp contraction in economic activity, Iraq invaded Kuwait and the *price of oil* doubled. For Chile, which imports almost all its oil, this was a disaster. The rise in oil prices has rekindled inflation, which is again hovering around the 30 per cent a year mark.

"Without the oil shock," says Mr Bianchi, "we would have advanced much further in taming inflation and re-activating growth." The resilience of inflation is largely the result of the complete indexation of Chile's economy, which magnifies the impact of an external oil shock by causing all other prices to rise in a *ripple effect*. Some councillors are in favour of de-indexing the economy, but they stress that this is a medium- to long-term project.

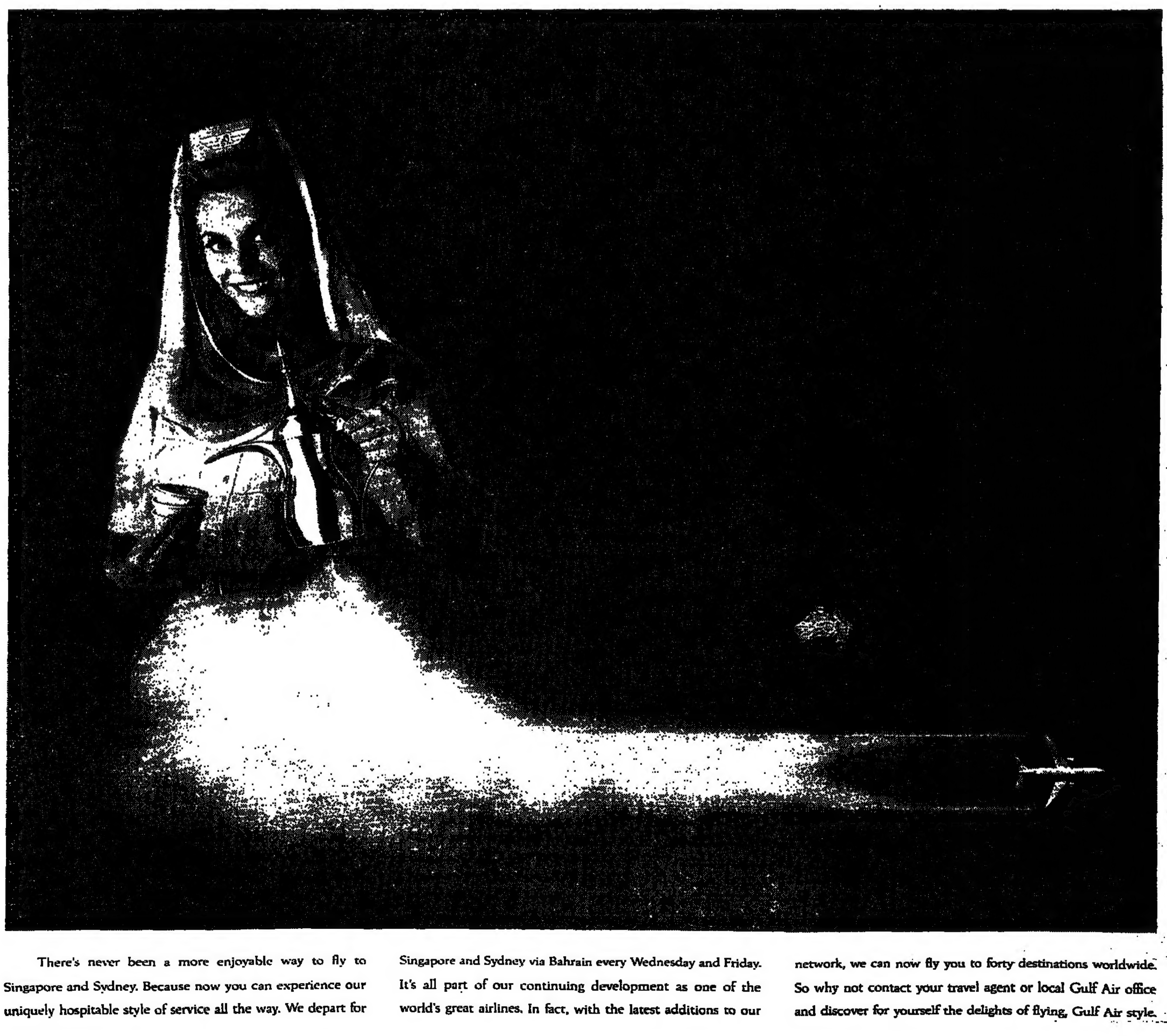
Mr Juan Andres Fontaine, the bank's former director of studies, who helped draft the bank's autonomy statutes, says the bank's independence *is* more tenuous than the US Federal Reserve or Germany's Bundesbank because its financial position is not solid.

This dates back to the country's financial collapse after the 1982 debt crisis, when the central bank took charge of more than $3bn of bad debts to keep commercial banks afloat. The latter are slowly repaying their obligations to the bank, but Mr Fontaine says that *if* there were to be another banking failure in the future, "the central bank would incur seri*ous losses*".

The treasury also owes the bank some $6bn as a result of the 1982 financial crisis. "The fact that the central bank is such an important creditor of the treasury undermines its autonomy," says Mr Fontaine.

While the bank and the treasury harmonise economic strategies, the central bank's position appears secure.

"The real test of autonomy", *one counsellor said*, "will *come* when there is a clash of opinions. Only then will the bank's authority and independence be tested."



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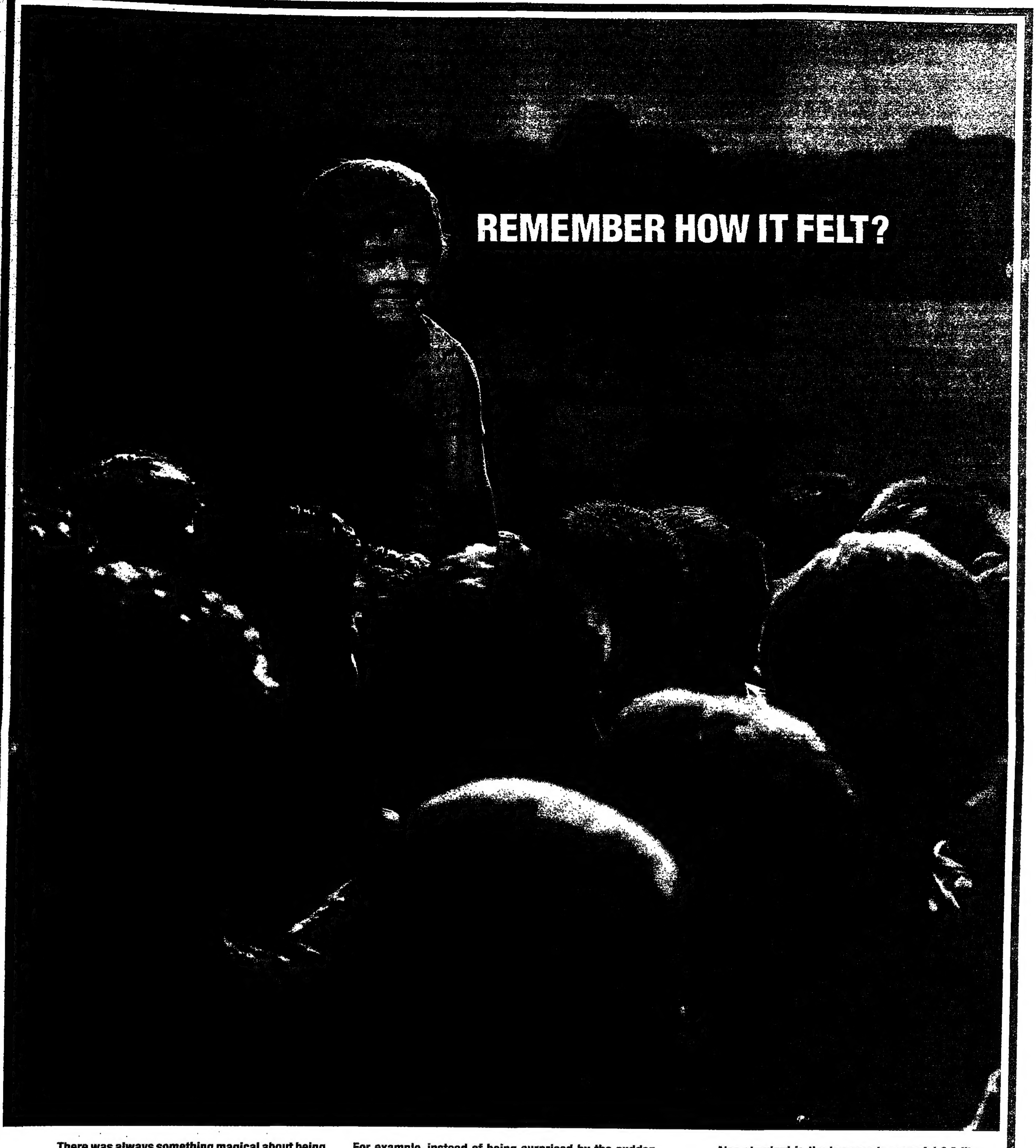

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INTERNATIONAL NEWS

Mandela and de Klerk restate peace commitment

By **Patti Waldmeir** in Johannesburg

MR F.W. de Klerk, the South African President and Mr Nelson Mandela, deputy president of the African National Congress (ANC) yesterday reaffirmed their commitment to peaceful negotiation after meeting to discuss issues which they said were threatening the peace process.

Both sides had made hard-line statements prior to the talks in which they accused their opponents of actions which jeopardised the start of talks on a post-apartheid constitution.

But after a short meeting in Pretoria, the government and the ANC issued a joint statement which made clear that negotiations remain on track.

The ANC had complained of police brutality and was expected to raise the issue of an interim government in the meeting.

Pretoria said it would protest at the ANC's call for mass public protests.

Neither side gave any details of issues discussed, but their joint statement said that they had agreed on the priority of issues requiring "early attention".

The two leaders also "reaffirmed their commitment to and faith in the peaceful negotiating process," the statement said. It also made provision for future such meetings.

Mr Mandela and Mr de Klerk have held several private meetings in recent months to remove obstacles to full-scale negotiations on ending white-minority rule.

Meanwhile, violence continued in black townships, with 10 men shot and stabbed to death in black factional fighting in the township of Katlehong, outside Johannesburg.

A police official said the fighting apparently involved rival Zulus and Xhosas.

Five other people were killed in scattered violence in other parts of the country.

● Mr Mandela refused to be drawn by reporters after the talks commenting only that the meeting had been productive and "the mood was very cordial as usual", Reuter reports from Pretoria.

Before the talks, informants close to the white government and Mr Mandela's African National Congress (ANC), the main black anti-apartheid group, portrayed the two leaders as angry and frustrated.

They said the two men were concerned by fighting in black townships and a spate of demonstrations and strikes that have stirred unease in the white community.

The sources had predicted tough talking between the leaders as they sought to put back on track exploratory negotiations aimed at clearing the way for discussions on a democratic constitution.

F.W de Klerk: making provision for future meetings

Nelson Mandela: in agreement over a priority of issues

The statement gave no indication of what had taken place inside the president's office or of any agreed actions.

It said only that the two leaders "would probably have to meet again from time to time in the coming weeks and months" to deal with problem issues.

Talks to prepare the ground for constitutional negotiations for a non-racial, democratic South Africa have stalled amid squabbling over the return of black political exiles, the release of political prisoners and the ANC's refusal to stop military training and mass action against apartheid.

Mr Mandela said no date had been set for his next meeting with Mr De Klerk.

More than 40 people have been killed in the past three days in an upsurge of fighting between ANC supporters and loyalists of the Zulu-based Inkatha Freedom Party, regarded by the ANC as a government ally.

Aid to Nigeria raises awkward questions

William Keeling discusses changing EC attitudes to development aid under Lome IV

THE DIFFICULTIES faced by donors in disbursing aid were highlighted at a recent meeting between officials of the European Community and Nigeria. Mr Baldwim Zimmer, the EC delegate in Lagos, drew to the attention of Alhaji Abubakar Alhaji, the minister of finance, the slow disbursement of funds under the Lomé conventions.

The minister expressed his surprise and asked the cause of the delay. Mr Zimmer replied: "The delay is simple. We are awaiting your signature."

Since 1976, the EC has made available Ecu530m ($630m) to Nigeria in the form of loans and grants under the first three Lome conventions. But by the end of 1989, just 11 per cent of this had been disbursed. Despite such a poor record, between 1991 and 1996 a further Ecu390m of grant-finance will be offered under Lome IV.

Nigeria is the largest single recipient under the convention, which is signed by the EC and 69 African, Caribbean and Pacific states. A vast array of projects benefit from such finance, ranging from desertification control and forest monitoring to the production of oil-palm and tea.

Seven universities, two polytechnics and 11 technical institutes and colleges have also benefited from EC funding. Although the scope is impressive, there are innumerable problems in ensuring the efficient use of funds, even after they have been disbursed.

In the northern state of Katsina, the EC is co-financing with the federal government a Ecu13.4m, five-year, afforestation project. The idea is to assist local people to grow woodlots and shelterbreaks. The scheme was first mooted in 1981.

A consultant's report was submitted in 1984, but the project did not get off the ground take off until 1987.

Since then unnecessary bureaucratic procedures have hampered its progress. Many of the woodlots planted in 1988 failed to mature because federal government approval for the importation of cattle-proof fencing was not forthcoming.

The $1m headquarters are only just being completed with less than 18 months of the initial programme left to run.

The project managers also admit that there has been a lack of co-ordination between other afforestation projects organised in the area by the World Bank, federal and state governments. There have been disagreements over who planted shelterbelts and who has authority over them.

Projects financed by the EC do not necessarily match the development aspirations of the government. The north-east arid zone project, funded by the EC to the tune of Ecu35m ($48m) aims to promote rural development in a region of Borno state which is endangered by an encroaching desert and poor rainfall. But development workers say that the biggest danger to the region is the construction of dams on the Hadeija river in Kano state and the Jama'are river in Bauchi state. The dams are intended to provide irrigated land to assist agricultural production. But they are likely to exacerbate the ecological problems of Borno by inhibiting the annual flooding of the Fadama plains upon which the local economy of rice-farming and fishing depends. EC officials privately concede that the most that can be achieved by some projects is to alert the government to its responsibilities.

Some analysts argue, however, that the presence of donors may allow the authorities to neglect the areas concerned. As one development worker noted: "There have been projects in some of these areas for two decades."

Although the majority of EC projects in the country are still in their infancy, some observers have expressed concern at the "low quality" of EC aid. In turn, this has brought into question the increase in aid-finance being made available under Lomé IV.

National diplomats acknowledge that there is a disagreement between EC member states on the precise role the community should be playing.

There is also a debate over the balance to be struck between aid given by individual member countries and that offered under the EC umbrella. Community officials consider aid-finance an essential element of an emerging Community foreign policy, which is as political in its tone as economic. This raises the question of the EC's own move towards political union. In the opinion of one official: "From a European standpoint, member states should reduce their aid programmes and pass the responsibility on to Brussels."

Whether a central administration would be any more efficient at the evaluation and funding of projects must, on present evidence, be in doubt. What is certain is that member governments will be scrutinising the EC delegation in Lagos as it develops its programme of aid under Lomé IV.

The EC is funding Arid zone projects to the tune of Ecu35m ($48m) - assisting small farms through to huge projects

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● THE MIDDLE EAST

Security Council ready to open way for use of force

By Michael Littlejohns in New York and Ian Davidson in Paris

THE UN Security Council appears certain tomorrow to authorise states with forces in the Gulf to use "all necessary means" to eject Iraq from Kuwait if it does not withdraw its troops in January.

But the resolution, initiated by the US and refined in talks with the four other permanent members – Britain, China, France and the Soviet Union – looked set to win fewer affirmative votes than any of its 10 predecessors approved during the four-month crisis.

By some estimates, two votes against (neither constituting a veto) and two or three abstentions was probable. A minimum of nine affirmative votes is required to adopt a resolution in the 15-nation council.

The US had sought a January 1 deadline for Iraqi withdrawal, but both the Soviet Union and France favoured the date of January 15 and last night this seemed likelier.

Mr Roland Dumas, the French foreign minister, told the AFP news agency yesterday that France had proposed a January 15 deadline, making clear that his reasons for suggesting the later date were to accommodate Soviet wishes.

"I proposed the date yesterday of January 15, though the Americans wanted to set a date of January 1," Mr Dumas told reporters. "It's good that we fix a precise date."

His statement seems to indicate a significant convergence of the French government's position towards that of the US.

Last week President François Mitterrand appeared to be dragging his heels, despite pressure from the US, when he said France was prepared to *discuss* a new resolution, while at the same time insisting that there could be no automatic link between the passage of such a resolution and the actual use of force. The resolution would be the first to permit such military action since the Council's 1950 approval of "police action" in Korea.

Mr Mikhail Gorbachev, the Soviet president, yesterday expressed his full support for the resolution. He said in Moscow that Iraq's failure to withdraw would lead to "harsh" and "severe" measures.

There were doubts last night whether China, which has opposed a resort to force, would vote for the resolution, but the US was confident that Qian Qichen, the Chinese foreign minister, would not veto it.

He is to begin an official visit to Washington immediately afterwards – the first by a senior Chinese official since the brutal crackdown on student demonstrators in Peking in June last year.

Cuba is expected to join Yemen, the council's only Arab member, in opposing the resolution.

Malaysia and Colombia, which have said that the sanctions should be given more time, have made no formal commitment on how they would vote and some diplomats expected them to abstain.

UK moves towards renewing diplomatic links with Syria

By Victor Mallet, Middle East Correspondent

BRITAIN, which once feared the loss of all its embassies between the Mediterranean and the Khyber Pass, was yesterday finalising plans for restoring diplomatic relations with Syria two months after renewing ties with Iran.

The formation of the Arab-western alliance against Iraq – coinciding with the departure of the adamantine Mrs Margaret Thatcher as prime minister – has given the Foreign Office an opportunity to set aside its differences with Damascus.

A delegation of British members of parliament met President Hafez al-Assad in the Syrian capital yesterday.

On Saturday Mr David Gore-Booth, assistant under-secretary responsible for the Middle East, had talks with Mr Farooq al-Sharaa, the Syrian foreign minister, in the first high-level contact between the two countries for four years.

A resumption of diplomatic relations would revive hopes for the release of three British hostages in Lebanon. The Foreign Office said this week that Mr Jack Mann, the 77-year-old former pilot kidnapped in Beirut, was believed to be alive.

Officials in London, however, emphasise that Iran is the key to the release of hostages, while Syria can play a "facilitating" role because its forces control Beirut.

Britain broke off relations with Syria in 1986 after Nezar Hindawi, a Jordanian, was convicted of trying to plant a a bomb on an Israeli airliner at Heathrow airport by using a girlfriend as an unwitting carrier.

Britain said Hindawi was assisted by the Syrian embassy in London and has protested that Syrian officials connected with terrorism are still in positions of authority.

Assad: met British MPs

Although Mr Gore-Booth's talks in Damascus are said to have made reasonable progress, it is unlikely that Syria will meet all the British demands. A compromise declaration of "mutual respect" – along the lines of the agreement with Iran – is probable.

Syria has taken full advantage of the Gulf crisis to assert its control over Lebanon by helping the government of President Elias Hrawi to defeat Gen Michel Aoun, the rebel Christian leader.

Mr Assad also secured a meeting with President George Bush in Geneva to discuss the Gulf crisis.

Israel struggles to keep low profile as stakes rise

Hugh Carnegy reports on the fears of America's main regional ally over the outcome of the crisis

AS the pace of events in the Gulf crisis again quickens, one issue that will be under scrutiny both in Baghdad and in the anti-Iraq coalition is the highly sensitive position of Israel.

For all the talk of Israel keeping a "low profile" to avoid upsetting the delicate western-Arab alliance against President Saddam Hussein, both sides know that if it comes to war, the role of Israel could well prove to be decisive in determining the outcome.

Aware from the start that the entry of Israel into any military conflict could fatally split the key Arab states – Saudi Arabia, Egypt and Syria – lined up with Washington, Mr Saddam has repeatedly threatened to involve Israel in hostilities. Equally, the US has been at pains to ensure that Israel is kept out of the conflict.

So what kind of posture has Israel struck?

For the Israelis, the immediate "headline" threat is posed by long-range Iraqi surface-to-surface missiles now believed capable of delivering chemical warheads on densely populated areas. The military is operating on the assumption that Mr Saddam will carry out his threat to attack Israel if Iraq itself is attacked, and also takes seriously the possibility that he would launch a first strike against Israel if he felt cornered by sanctions, or that a US-led assault was imminent.

Israeli intelligence assessments acknowledge that Israeli-Iraqi fighting would at least provoke serious internal dissention in Egypt, undermine Saudi resolve and could prompt Syria to switch sides.

For this reason, the US has been anxious to keep Israel out of the picture, to the point of suggesting publicly that if Israel were attacked, US forces would take on the job of knocking out Iraqi missile sites on Israel's behalf.

Both military and political officials in Israel scoff at this suggestion. "We will not be dependent militarily on anyone but ourselves," said one.

However, recent reports that Israel might be considering a pre-emptive strike to forestall the threat of attack by Iraq seem off the mark. For a start, however alarming and deadly missile strikes might be, they do not pose any real strategic threat on their own to Israel. Nor could they be accompanied by any land threat by Iraq.

The Israeli Air Force is confident that it can deliver a devastating response to any strike that would stop further attacks.

However, an Israeli spokesman said a pre-emptive strike would be counter-productive as it would play into Iraq's hands and would likely lead to "US casualties on our ledger".

What is much less clear is what Israel's response would be if, for example, an Iraqi attack caused little damage or limited casualties. Mindful of the potential for splitting anti-Iraqi ranks, Israel would almost certainly be under strong pressure to stay its hand. But this clearly cuts across Israeli attitudes.

In the end, what will condition Israel's response will be its assessment of the longer term consequences of the Gulf crisis. Dr Gerald Steinberg of Tel Aviv's Bar Ilan University says that, despite much "gnashing of teeth" among Israeli leaders over US conduct of the crisis, "at this stage there is not a major problem for Israel. As long as there is a large US military presence in Saudi Arabia, militarily Israel is in better shape than before."

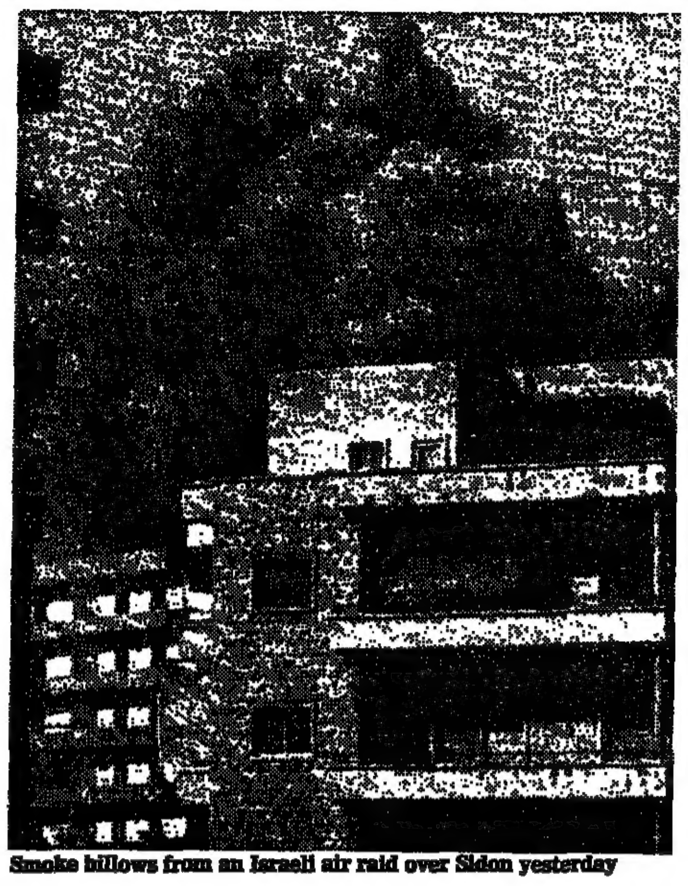
He says the longer term worry is that Israel will pay the price for the effort against Iraq in political and strategic terms. Israel is deeply concerned that Iraq's non-conventional – and conventional – power should be dismantled. Even if Mr Saddam is removed there is anxiety, for example, that an Iraqi-Syrian alliance might emerge in his place, with ties also to Iran which Israel would regard as an intolerable threat.

That is why Israel is alarmed by the warming of ties between Washington and President Hafez al-Assad of Syria. It is also extremely worried by the scale of arms sales to Saudi Arabia, which Israel repeatedly says could one day be used as part of an alliance against it.

Crucial in how these issues turn out is the relationship between Israel and the US. There has been much talk during the Gulf crisis of the cooling of the traditional alliance – especially the poor personal ties between President George Bush and Mr Yitzhak Shamir, the Israeli prime minister.

However, beneath the resentment in Israel of the way US leaders have avoided the country while courting Arab governments, officials acknowledge understanding of Washington's pragmatic needs and report that military links continue to be close and warm.

Mr Shamir is expected to see Mr Bush in Washington next month. The president's response to Israel's many concerns about the Gulf crisis may shape how Israel responds when and if it turns to war.



Smoke billows from an Israeli air raid over Sidon yesterday

Up to 13 are feared dead in border clash

FIVE Israeli soldiers and up to eight Palestinian guerrillas were killed yesterday in a clash inside the border security zone Israel occupies in south Lebanon, write Hugh Carnegy in Jerusalem and Lara Marlowe in Beirut.

It was the latest in a recent spate of incidents in the area and left the highest number of Israeli casualties in a single incident in Lebanon for some years. The Popular Front for the Liberation of Palestine, led by Mr George Habash who is now based in Baghdad, claimed it had killed the soldiers with the assistance of guerrilla allies.

The action, following the killing of three soldiers and a civilian by an Egyptian gunman in Israel on Sunday, added to anxiety within that country that tensions related to the Gulf crisis are increasingly having a violent rebound on Israel. The rise in anti-Israeli activity has coincided with demands by Lebanon that Israel withdraws from the south of the country.

Tokyo raider admits stock manipulation

By Stefan Wagstyl in Tokyo

MR Mitsuhiro Kotani, a Japanese stock market raider, yesterday pleaded guilty to manipulating the shares of a leisure company in order to sell a large holding at an inflated price.

Mr Kotani, who had pleaded not guilty at an earlier hearing, was thought to have changed his mind in order to improve his chances of securing bail. He has been under arrest since July, unable to supervise efforts to restructure Koshin, the debt-laden investment syndicate which he heads.

Mr Kotani admitted buying and selling 780,000 shares in Fujita Tourist Enterprises in April this year in order to drive up the price from Y3,780 (£14.88) to Y5,200. He then sold a block of 6m shares for about Y30bn and used the proceeds to repay loans to Kokusai Kogyo, an aerial survey company he acquired in a controversial takeover in 1987-88. Mr Kotani said yesterday he had acted in ways calculated to mislead investors.

As well as the Fujita incident, officials are investigating the takeover of Kokusai, the means he used to raise funds and his links with banks, including Sumitomo Bank and Mitsui Trust and Banking, and securities companies.

PNG offers inquiry on 'human rights abuses'

By Kevin Brown in Sydney

PAPUA New Guinea yesterday offered to allow an international team of judges to investigate alleged human rights abuses during a battle with secessionist rebels for control of the copper-rich island of Bougainville.

Mr Rabbie Namaliu, prime minister, said PNG had unsuccessfully proposed an independent investigation during peace talks with the rebel Bougainville Revolutionary Army on board a New Zealand Navy ship in August. "They [the judges] could still come provided both sides agree," he said.

Mr Namaliu was responding to a report by Amnesty International, the human rights organisation, which alleged that at least 19 people were executed without trial and more than 50 ill-treated or tortured by PNG troops trying to control the BRA uprising.

The report said there was also evidence of abuses by the BRA, but criticised the PNG government for failing to take action to bring members of the security forces to justice.

Mr Namaliu said PNG had never denied that abuses had taken place, but all allegations made against the security forces had been investigated.

Mr Harris Van Beek, Amnesty's Australian national director, yesterday followed up the report by calling on the Australian government to provide legislative safeguards against the misuse of Australian-supplied military and police equipment in PNG.

Mr Van Beek said he feared further large-scale human rights abuses would take place in Bougainville unless the PNG and Australian governments took urgent action.

Senator Gareth Evans, the Australian foreign minister, said legislation was unnecessary because the government believed Mr Namaliu and other senior ministers were committed to protecting human rights.

Tamil Tigers kill 150 soldiers

IN THE bloodiest battle of Sri Lanka's 15-year separatist war, the Tamil Tigers have killed nearly 150 Sinhalese soldiers, Mervyn De Silva reports from Colombo. A higher final death toll was feared at Mankulam, about 50 miles north of Colombo. The Tigers lost 50 to 100 guerrillas when the Mankulam army camp, the largest in the Tamil-dominated north, was pounded by mortars over the weekend.

Tasmania announces corruption probe

by Kevin Brown in Sydney

TASMANIA yesterday became the second Australian state this month to announce a Royal Commission into alleged political corruption.

Mr Michael Field, the Labor premier, said the inquiry would investigate an attempt to save the former Liberal state government from defeat in a confidence motion by bribing Mr Jim Cox, a Labor MP, to cross the floor and vote with the Liberal opposition.

Mr Edmund Rouse, a former Tasmanian media proprietor, and Mr Tony Aloi, a Melbourne radio executive, are serving prison sentences in relation to the affair, in which a bribe of A$110,000 ($84,615) was rejected by Mr Cox.

Mr Field said the Royal Commission's role would be to restore public trust in the state's institutions and identify anyone else involved in the attempted bribe.

Other Labor MPs have called for an inquiry to establish whether any members of the Liberal party were involved in the attempted bribery.

Mr Robin Gray, the Liberal leader and former premier, said the Commission was "nothing more than a stunt to try to embarrass the Liberal party".

Mr Field's minority Labor government depends on the support of Green Independent MPs to govern, and has looked increasingly shaky in recent weeks after falling out with the Greens parliamentarians over the development of forestry resources.

The Labor government of Western Australia bowed to pressure earlier this month for a Royal Commission into alleged corrupt links over the last 10 years between state politicians and bureaucrats and local businessmen.

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UK NEWS

THE NEXT PRIME MINISTER

Tory leader who rose without trace

Mr John Major is to be the prime minister who rose without trace. In so far as he has a political philosophy, it is based on youthful hardships that are unlike anything experienced by his cabinet colleagues.

Today he stands a symbol of classless conservatism.

Since putting himself forward for the leadership, he has forged ahead in the opinion polls with a campaign designed to appeal to all segments of the party while assuming the role of Mrs Thatcher's annointed one. Of all the three contenders for the leadership, he was the one with a background nearest to that of Mrs Thatcher.

The grey-haired, invariably courteous, quietly-spoken Mr Major has become a familiar figure on the nation's television screens since being catapulted into the chancellorship 13 months ago after the resignation of Mr Nigel Lawson.

He was the only cabinet member to enhance his reputation at this year's admittedly morose Conservative party conference in Bournemouth.

Yet rarely can a man have climbed to the top of British politics with so little known of what he stands for. Go into any library in the land and you look in vain for volumes of his thoughts. In an age when autobiographers, like policemen, appear to get younger every year, Mr Major, at 47, has yet to put pen to paper. His name rarely features in learned works on contemporary politics.

Most of what is known about Mr Major concerns his mildly exotic past which seems so at odds with the well-groomed technocrat who appears on our television screens. And although Mr Major tries to discourage questions about his background, it is there that the roots of his ambition lie.

Mr Major doesn't like to talk about himself. But during this year's annual meeting of the International Monetary Fund in Washington, guests at the British Embassy cocktail party gained an unusual insight into the future prime minister. he had his palm read by Ms Leticia Parmer, a Washington society astrologer.

Mr Major, she said, had a lot of inner nervous tension. He was outwardly relaxed and inwardly a perfectionist and very self critical. He liked fast cars and was turned on by danger. In particular, he loved a challenge.

When contacted this week, Ms Parmer said that he must be revelling in the leadership contest.

She also forecast that he would be disillusioned when he had achieved his goal. Trivial this may sound. But after Mr Major broke off the conversation, he said Ms Parmer had told him things that no one except himself could possibly know.

Indeed, much of what is known about Mr Major is concerns his early life. His father, Thomas, was a trapeze artist. But when John was born in 1943, Tom Major was 66 and his days in the circus and vaudeville were long over. Instead, Mr Major senior ran a small business, making garden ornaments. The family lived in Worcester Park, a respectable, quiet middle class suburb just beyond Wimbledon, south-west London.

This unexceptional background was shattered when John Major was about 11 years old by the failure of his father's business. The family had to move from its comfortable bungalow with its long garden to a two-room flat in Brixton.

In an interview with the South London Press in 1970, Mr Major, by then was an ambitious young councillor in Lambeth, described the new home.

"We came to Brixton and moved into one of those terrible old big houses in Coldharbour Lane while we looked around for another place.

"We stayed there in two rooms at the very top of that house for five years.

"The gas stove was on the landing at the top of the stairs. I slept in a bunk bed in the same room as my father while my mother and sister slept in the other room.

"There we were, crowded into two rooms with the family dog and the hamster."

Mr Major was later to make light of the family's problems, recalling how one other occupant in the house had been a catburglar, while another would announce his return at night by waving his false teeth around the door.

In an interview in the latest issue of Harpers & Queen, he says he took the crisis in his stride. "Any difficulties from that time were shielded from me as much as was possible, both by my father, who was pretty bedridden, and by my mother."

However, the dislocation probably contributed to his less happy time at school. John Major attended Rutlish Grammar School in South Wimbledon but left, much to his parent's horror, at the age of 16. The main interest of his school days was sport and he developed a love of cricket that has persisted to this day.

"I wasn't a good pupil," he told the Sunday Telegraph in October last year. "That wasn't Rutlish's fault. It was a good school, and they did their best for me. I didn't do my best for them. I enjoyed English, history, and maths – but I'm ashamed how little work I did for other subjects.

"I think it was something to do with being the bottom of the heap. Not that the school made me feel that – the fault was in me. But somehow I turned against school and couldn't wait to leave."

He hated the petty authority of school and that turned him into a rebel. "I didn't like the regimentation of school life," he told Harpers & Queen. "I didn't like the unthinking obedience that people wanted. I didn't always agree with decisions and didn't see why I shouldn't say so. I often did say so."

Today Rutlish has lost contact with its most famous son. But his school experience explains part of the jigsaw puzzle of his rise to power. Although Mr Major may look and behave like an old-fashioned bank manager, he stands his ground in arguments. It was this that was to bring him to the attention of Mrs Thatcher in the second of her three premierships, first when he was a member of the whips' office and later when minister of state for social security.

On leaving school, Mr Major worked as a clerk but gave this up for more highly-paid labouring jobs. It was during this period that he acquired a love of "greasy spoon" breakfasts and junk food. There have been occasions during his chancellorship when he has returned to London from negotiating on monetary matters over a lavish lunch in Brussels, only to drag his officials off to Macdonalds for a hamburger.

By the age of 19, however, John Major was on the dole, living on £2.87 weekly unemployment pay. He was out of work for nine months before he got a job with the electricity board. It was around this time that he tried for a job as a bus conductor at Camberwell bus garage. He was turned down for being too tall and too slow with the ticket machine.

But John Major had also become a Conservative. His interest in politics was fired first by Marcus Lipton, the Labour MP for Lambeth Central who he met at a jumble sale when he was about 14 years old. It was Marcus Lipton who told John Major that he should go into politics.

He never considered joining the Labour party. He joined the Conservatives at the age of 16 and became a party activist almost immediately. Later he was to explain that from an early age he had decided that left-wing politics were all about "the way you stayed in difficulties, not the way you escaped from difficulties."

He considered the attitudes of the Labour heirarchy in Lambeth "patronising and offensive". Although he was later to concede that the "old-fashioned socialists who ran Lambeth in those days were good, kind-hearted men who were concerned about poverty", the young John Major decided that their actions were designed to reinforce and perpetuate poverty.

From 1960 onwards, he held a succession of posts with the Brixton Young Conservatives. He founded the Lambeth Borough branch of the Young Conservatives and held a succession of posts with the Brixton Conservative Association, where he became chairman in 1970.

During this period, he entered local government. He was elected a Conservative councillor in Lambeth in 1968. Two years later, at the age of 27 he took over responsibility for housing policy in Lambeth.

Mr Major said at that time that it was concern about housing that made him enter politics. In part this reflected his own deprived upbringing. But it also reflected a keen sense of the importance of issues in making a political career. "It is the most contentious part of politics in London and following from that it is therefore the most interesting," he said.

He was an innovative chairman of Lambeth housing committee. He formed a housing advice centre and devised a plan to encourage home ownership, giving potential house buyers as much help as possible with loans from town hall mortgage funds.

He impressed Mr Ken Livingstone, the left-wing Labour MP and a former Lambeth councillor.

As vice-chairman and then chairman of the housing committee, Mr Major played a crucial role in tripling the budget for building homes, says Mr Livingstone. "Major would get up and say that we had to help people. Many of us on the left were acutely embarrassed about the previous record of Labour."

Mr Livingstone says the Lambeth Tory leadership also campaigned against poor landlords and made sure that black people were given council housing, something many had previously been denied. "Major was infinitely more hard working and nicer than the other members," says Mr Livingstone. By this time, Mr Major was leaving poverty behind him. He studied in his spare time after leaving school and joined Standard Chartered bank in the mid-1960s.

He joined the bank to travel abroad, having never left Britain. He went to Nigeria just as the Biafran war was starting. He was involved in trade finance. But his career in Africa was cut short be a car crash in which he broke his left leg and which resulted in the loss of a kneecap.

Today, Mr Major walks with a limp and cannot walk further than a mile. He spent about nine months in hospital having a series of operations, an experience that taught him the value of the National Health Service. The NHS "saved my life as a baby and saved my leg when I was an adult," he said the other day.

His spell in Nigeria reinforced a loathing of racism that he had acquired from his teenage years in Brixton. It also gave him an insight into the problems of Third World countries that helped prompt his decision last year to launch a plan to ease the debt burden of the poorest debtor nations.

Mr Will Manser, the public affairs director at Standard Chartered, worked with him and remains a friend. Together they gave advice to British companies which wanted to trade overseas. According to Mr Manser, John Major's lack of a degree was "no handicap. John had a natural aptitude. He had a tremendous ability to grasp a brief and that overcame the lack of formal qualifications.

"He could go to any meeting and appear knowledgable. He would appear merely to glance at his notes. He had an almost photographic memory. He had a steely determination."

Mr Major was adept at office politics. "Politically he was a full train ahead of most of the rest of us," Mr Manser recalls. "Many times we would go into meetings with opinions that had no chance of winning the day. He would almost without exception come out on top but without incurring animosity."

However, not all employees of the bank have such fond memories. One, who requested anonymity, said: "He didn't have much time for people not of use to him."

It was at Standard Chartered that Mr Major came to the attention of the chairman Lord Barber, who as Anthony Barber had been chancellor under Edward Heath and presided over the inflationary boom of the early 1970s.

Lord Barber took Mr Major with him as an assistant to the International Monetary Fund meeting in Manila in 1976 and then put him in charge of the bank's press relations. "I spotted him because of his political interests," Lord Barber says. "He was going to go a long way in the bank but in Manila I began to realise that his first love was politics.

"He was very determined, very enthusiastic. In those days I used to get a lot of people asking me whether they should go into politics and invariably I would say don't touch it, especially if they had no money.

"John Major was an exception. He was keen and he seemed to have the right sort of ideas. He was prepared to be tough and unpopular, and to stand by his policies. I don't know whether it was because of his background but he also seemed to havea humane outlook."

By the late 1970s, Mr Major's career as a Member of Parliament was in the making. He had married his wife Norma in 1970. In the two general elections of 1974, he had unsuccessfully contested the safe Labour seat of St Pancras North. In May 1976, he was selected as prospective Conservative parliamentary candidate for the safe seat of Huntingdon.

Mr Major's rise since entering parliament in 1979 has been meteoric. The reason, one long-serving Conservative MP says, is "that he is nice in the best sense of the word".

He has been assiduous in making friends in the Commons and keeping in touch with the party in his constituents. "He has eaten nearly as many rubber chicken dinners as Michael Heseltine," one of his officials said last week.

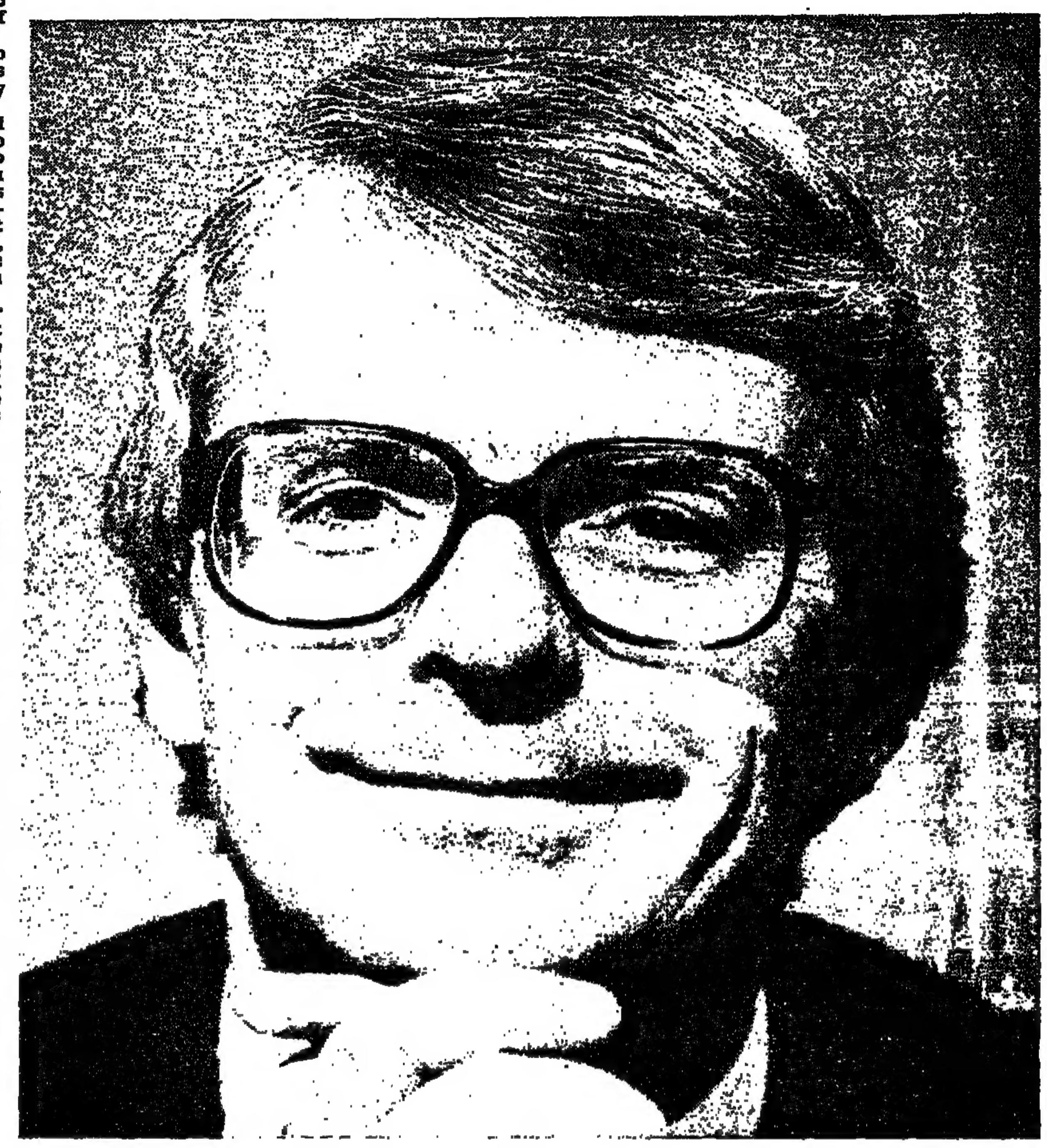
Although he has grown greatly in confidence and profile since becoming chancellor, Mr Major remains something of an enigma. There seem to be no gurus at his elbow helping to shape or explain his views. During the recent campaign, many of the questions put to him have produced formula answers. He has been very vague about his future policies.

Although he dislikes being labelled, he considers the description "economically dry and socially wet" to be "fairish". His record shows him to be on the right of the party on economic policy while on the party's liberal wing on free vote issues such as capital punishment, abortion, immigration and links with South Africa.

The entrée to Number 10 may have come sooner than he would have liked. But Mr Major's youth, pragmatism and capacity to appeal to various elements of the Conservative party explain his success yesterday as much as the party's need to present a united front.

Peter Norman

Additional reporting by Mike Smith, John Authers and Michael Holman.



Steps to Number 10

Early childhood spent in south west London

John Major was born on March 29 1943. He spent his early childhood in Worcester Park, south west London, before his family moved to Brixton after the failure of his father's business.

Primary school days in Cheam

Mr Major was educated at Cheam Common Primary School and at Rutlish Grammar School, Wimbledon. His first political post came in 1968, when he was elected a councillor of the London Borough of Lambeth. In 1970 he married Norma Johnson. They have a son and a daughter.

Early bid for parliamentary seat

In 1974, he unsuccessfully contested St Pancras North in the two general elections of that year. In 1976, he was adopted as prospective Conservative candidate for Huntingdon and elected member of parliament for Huntingdon in 1979.

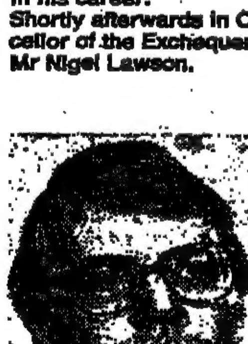
Heading for high office

He began his advance to high office in March 1981 when he was appointed Parliamentary Private Secretary to the Ministers of State at the Home Office. In January 1983 he was appointed to the Whips Office, in a move that many believe has been crucial to his ability to secure so many votes in yesterday's poll. "It taught him how the system worked and he was able to learn a great deal about his fellow MPs," a long serving Tory MP said yesterday. September 1986 saw Mr Major appointed Minister of State for Social Security.

First days in the Treasury

After the 1987 general election, he entered the cabinet as Chief Secretary to the Treasury in charge of controlling government spending. In Mrs Thatcher's bungled cabinet reshuffle of July 1989, Mr Major was appointed Foreign Secretary, for what was to prove one of the less happy episodes in his career.

Shortly afterwards in October 1989, he was appointed Chancellor of the Exchequer following the surprise resignation of Mr Nigel Lawson.



He has been "dry" on economic questions, and not afraid that his tight monetary policies should impose pain in the interests of reducing inflation. His greatest success as Chancellor was to persuade Mrs Thatcher to take the pound into the exchange rate mechanism of the European Monetary System. The hardship and experiences of his youth underpin his belief that individuals should be given the opportunity to realise their full potential "irrespective of their class, sex, colour or creed."

Mr Major believes in choice and is a firm believer in fairness and equality of opportunity.

His background also explains his passionateopposition to inflation. "It have the greatest, innate instinctive dislike of inflation," he said on television last weekend," It's no fun at the end of the week, if prices have gone up more then your capacity to pay the bills."

For the moment, it seems unlikely that we will be speaking of "Majorism" in succession to Thatcherism. He is not an idealogue.

Britain's new prime minister is the youngest since Robert Peel in 1834. He is also the first Conservative premier not to have been to university since Winston Churchill.

'Unlike Adam Smith I am not a moral philosopher. Nor an economist . . . I am a practical politician'

■ MAJOR ON MAJOR:

"Unlike Adam Smith I am not a moral philosopher. Nor an economist. Nor an intellectual. I am a practical politician . . ." *Speech to the Adam Smith Institute, when Chief Secretary to the Treasury in June 1989.*

"I don't much like talking about my own background. I prefer other people to make their own judgment about it. I regard that as private." *Interview with Financial Times, Oct. 25 1990.*

"I dislike intensely this pigeon holing people into a particular docket. I think they are much more sophisticated than that and that includes politicians as well." *FT Oct 25*

■ MRS THATCHER:

"Do I believe Mrs Thatcher has been an unmitigated good in terms of British politics...yes." *Interview in Daily Telegraph Nov 26.*

"This is ludicrous." *His answer to interviewer's question on whether Mrs Thatcher would serve in his cabinet. DT.*

■ TORY PARTY:

"I believe in a very broad church Conservatism."

■ THE ECONOMY:

Inflation is poison to investment, poison to competitiveness, and poison to industrial relations. And inflation is social poison - it punishes the saver, the pensioner, the weakest in our society." *Speech to north Wales CBI July 6*

"It will take some time, it always does to change the economy. It's like turning the Titanic round, as you know. Nobody knew the scale of the excess demand. Nobody measured it." *FT Oct 25*

"If I were going to play politics with the economy, would it really have been the case that I would have gone into the ERM at an exchange rate that some people argue is too high, with the inevitable disciplines that that implies within 18 months of a general election?" *FT Oct 25*

"It is grossly unfair that those who were sufficiently prudent during their lifetime to save should find themselves punitively taxed for saving and investing." *His maiden speech on the 1979 Budget.*

■ ROLE AS CHANCELLOR:

"I see the chancellor as a supply side social engineer, in terms of providing incentives and opening up the possibility of people to exercise choice." *FT.*

"It is in a sense the secondary half of the chancellor's job. The first job, of course, is to keep the economy on an even keel and inflation down." *FT*

"There were millions of people paying tax who ought not to have been paying tax." *FT Oct 25*

■ SOCIAL POLICY:

"You genuinely do want a classless society. You genuinely do want a society in which there aren't artificial impediments to moving from one particular area to another." *FT*

"Inflation is the most socially divisive factor of them all." *FT*

■ EUROPE:

"Europe is changing and developing. We need it to be open. We need it to be able to develop slowly and wisely." *FT*

■ THE HARD ECU:

"If the parallel currency is successful, it will be because people chose it, because the markets wanted it, because companies used it." *Daily Telegraph Nov. 26*

■ PRIVATISATION:

"Taking a practical rather than a philosophical view there is no doubt that a substantial number of activities will remain in the public sector and financed from taxes." *June 27 1989 speech to the free market Adam Smith Institute:*

■ PUBLIC SPENDING:

"Just spending money is of itself no virtue particularly if you take it in in taxes from other people. What matters is getting it spent efficiently." *Speech in December 1988.*

"Of course better infrastructure and better services are important but they are something we must tackle sensibly, not rush into with our cheque books flapping." *FT Oct 25*

■ CLASS:

"I want to see an opportunity society. No one should feel left out and no one should feel handicapped by their background." *Observer interview, Nov. 25*

"I understand the frustrations people can face. I understand those who have difficulty making ends meet, who want a chance to do more with their lives." *Observer interview, Nov. 25*

■ EDUCATION:

Mr Major wants teachers, not vouchers, and would like to "reproduce the status in education of teachers that I believe they had 20 or 30 years ago." *FT Nov 27*

■ REGRETS:

I haven't seen enough of my family. Not remotely. And I regret the loss of privacy, actually.

■ CRICKET:

"As a boy I won a a couple of Evening Standard awards for 'Best Performance of the Week'. When I was about 12, I won a cricket bat for taking seven or eight wickets - I cannot remember which now - for nine runs for Rutlish School against the Royal Masonic School. This included a hat-trick, which was very exciting at the time." *Speech printed in Surrey Youth Cricket Year, 1990.*

UK NEWS

THE NEXT PRIME MINISTER

THE ISSUES AHEAD

Party seeks fresh start in bid for a fourth term

By Philip Stephens, Political Editor

THE palpable relief with which Tory MPs greeted Mr John Major's victory yesterday is tinged with foreboding.

The party has done what it is good at. It has ejected a leader who had become an electoral liability. Mr Major can now make a fresh start in the hope of recovering enough ground within the next 18 months to secure the Conservatives a fourth term in office.

He can expect a honeymoon period, when the polls will buoy the spirits of Tory supporters, and when the party's warring factions will bury their hatchets in the name of unity. The expectation last night was that Mr Michael Heseltine will be offered a place in his cabinet.

But as the battle for the succession has unfolded, those ministers and MPs who have looked beyond the distorting kaleidoscope of the campaigns have begun to consider something else.

Mrs Thatcher takes with her the certainties of the past 11½ years. Mr Major, despite his formidable political talents, does not offer the unflinching conviction, the eternal truths which drove the party for its first three terms in office.

Privatisation, deregulation, tax cuts, budget surpluses, enhanced individual opportunity and choice, the emphasis on individual wealth accumulation have become verities for all but a handful of dissidents among Tory MPs. They are no longer regarded as enough.

The new prime minister will face exactly the same practical problems as his predecessor: the prospect of war in the Gulf, the poll tax, Britain's place in Europe, the economy, the poll tax, the perceived shabbiness of public services. They do not add up to a happy inheritance for a leader who will inevitably lack Mrs Thatcher's authority as well as her self-belief.

Mr Major has his ideas. He has offered during the campaign to consolidate the successes of Thatcherism while shaving off its rougher edges. He plans to slow the pace of radical change in areas like education and health, and add some new rungs at the bottom of the social ladder.

His period at the Treasury showed a politician keen to rein back the frontiers of the state, but aware that the voters expect those services which remain in the public sector come up to the standards of those in the private sector.

In the view of his colleagues, however, Mr Major does not offer anything as coherent a creed as Thatcherism. There will be nothing as clear-cut as a simple return to the "One-Nation" Toryism she deposed.

During the high-drama last few days the vision of many Tory MPs has become blurred: high mortgage rates, the poll tax, the groundswell of discontent about education were Mrs Thatcher's problems. She would take them with her in the removal vans leaving Downing Street.

Asked to focus carefully, they become less sanguine. The government will have to begin to look outwards again and the view from No 10 Downing Street will be far from reassuring. With Mrs Thatcher's departure the problems will remain but the certainties will be gone.

Not all are pessimistic. A cabinet minister who threw his weight behind Mr Major at the start of his campaign insists that the events of the past few years show above all that the party is indestructible. "If we can depose one of the most successful prime ministers we've ever had you can be sure that we can sort out the poll tax", is his verdict.

Others suggest that this instinct for self-preservation will propel the new leader to build another consensus in a different place from Thatcherism, reoccupying some of the centre ground it had deserted. On this analysis, it was the blind faith in certainties which had caused the cataclysm. Mr Major will offer "Thatcherism without the acerbity".

There are still though the awkward questions. What does the Conservative party become if it is longer the party of radical revolution? Can it be driven again by consensus after being for so long driven by conviction?

Mr Major does not like the implication, but he wears the mantle of Mrs Thatcher. Even as the voting was getting underway yesterday she was telephoning waverers to get them to swing their support behind her annointed successor. Many of her inner circle of advisers and courtiers moved to his campaign headquarters.

He is the candidate of the right for two reasons. His dislike of inflation is believed to be solid. His scepticism about European integration is perceived to be much more deep-rooted than that of any other likely successor.

But Mr Major is not Mrs Thatcher. She was a prime minister who pinned her political convictions on her heart. He excises political labels even from the linings of his suits.

"Unlike Adam Smith I am not a moral philosopher. Nor an economist. Nor an intellectual. I am a practical politician", he has said off himself.

That does not mean that he does not have his own prospectus. His campaign has emphasised again and again the vision of a socially mobile, classless society. Tax cuts, when they come, will be tilted towards the lower end of the scale. There will be more public spending on education, and probably on the health service. The poll tax will be made fairer if not abandoned.

The essential difference though is that Mr Major's career has been built on pragmatism, on careful assessment of the possible. Mrs Thatcher's successes – and ultimately her failure – derived from her determination to redefine what was possible.

She was willing to fight until the end against a single European currency. Mr Major's instincts about the Delors plan are the same. But he is looking for a political compromise with Britain's partners.

Not everyone believes that the change will be a bad thing. "We don't need certainties, we have got to think much more clearly about our obligations . . . in health, in education," one minister said.

A more junior colleague admitted that after Mrs Thatcher there were no longer any self-evident truths. But that was no bad thing. What was wrong in the Tory party offering good economic management and more social responsibility? The voters have had enough of big ideas from either Conservatives or Labour. They wanted conservatism in its real sense. Mrs Thatcher's successor must hope so.

Leader and editorial comment, Page 20

Issues ahead: a potential war involving UK troops; opposition to the poll tax; and strained relations with the EC and its president Mr Delors (above with Mrs Thatcher)

HOW HE WON

Chancellor steered a firm campaign to Number 10

By Alison Smith

THE CAMPAIGN to sell Mr John Major, the chancellor, to his fellow Tory MPs as prime minister set off at a smart pace, and never looked back.

That original impetus was enough to make Mr Major the more likely "stop Michael Heseltine" candidate for the Tory establishment, and gave him the momentum he needed.

This was not inevitable. Despite Mr Major's pitch as the candidate from the "ordinary background" and the idea that he was best placed to appeal to young people, Mr Hurd was seen as the more experienced candidate and the one most likely to unite the party.

But Mr Major was quicker off the mark once the starting pistol had gone off and both nominations were in late Thursday morning. By Friday morning the Major camp was already claiming the support of a third of the 372 MPs eligible to vote. And to keep the bandwagon rolling, MPs backing Mr Major were asked by campaign managers to make public their support.

By contrast, Mr Hurd was privately acknowledged by many MPs to be trailing before the weekend. With a slow start, he took longer to commit himself to policy changes, and his initial emphasis was that with the Gulf crisis looming, a safe pair of hands was the priority.

His cabinet support was in some ways more broadly and solidly based than Mr Major's. It included middle-ranking ministers, including Mr Patten, Mr Clarke, Mr Tom King, the defence secretary, and Mr Malcolm Rifkind, the Scottish secretary.

With the exception of Mr David Waddington, the home secretary, cabinet support for Mr Major seemed centred more on junior ministers and those on the right of the party, such as Mr Michael Howard, the employment secretary, and Mr Peter Lilley, the trade and industry secretary.

For Mr Heseltine, the problem was one of "stop-go" politics. His campaign necessarily stalled on Thursday with the news that Mrs Margaret Thatcher was not allowing her name to go forward to the next ballot. On Friday also he kept a low profile, leaving his two rivals to hold their press conferences and creating an impression that he had lost the initiative, and that the speed of the Major campaign had taken him by surprise.

Over the weekend, however, Mr Heseltine regained some momentum, with timely endorsements from Sir Geoffrey Howe, the former deputy prime minister, and Mr Nigel Lawson, the former chancellor. These stole the headlines from the crop of opinion polls, showing that not only Mr Heseltine, but also Mr Major, was well-placed to lead the Tories to an election victory.

In television interviews over the weekend, however, Mr Heseltine and Mr Hurd were judged to have outperformed Mr Major. Though Mr Major pleased some of his supporters, he worried others by taking a particularly tough stance on Europe.

While the contest had started with remarkable restraint among the three teams, its gentlemanly nature had become somewhat strained on Monday.

The claims that rival camps were talking up their numbers of firm pledges, were soon followed by anonymous adverse comments about Mr Major's performance as foreign secretary, and doubts about Mr Heseltine's "stability" expressed by Lord Whitelaw, who supported Mr Hurd.

Over the final couple of days, Mr Major came under increasing pressure as the "Son of Thatcher" candidate. Fears about the effects of Mrs Thatcher comments on Monday, when she said would be "a very good back-seat driver" if Mr Major was elected, also proved unfounded and the Chancellor this morning appears likely to move into Number 10 by the weekend.

THE REACTION

Unity and sighs of relief envelop Tory ranks

By Our Political Staff

THERE WAS widespread relief throughout the Conservative Party at the election of Mr John Major to the leadership last night and the decision of the other candidates not to force a third ballot.

Supporters of Mr Michael Heseltine and Mr Douglas Hurd accepted that the overriding need for the party was to unite behind the new leader, despite the high vote achieved by Mr Heseltine.

Mrs Thatcher, the outgoing prime minister, said she was thrilled with the result and sent her warmest congratulations to Mr Major.

A typical Cabinet reaction came from Mr John MacGregor, Leader of the Commons: "I think he will carry forward the policies of the Thatcher years, and will develop them in his own way. He's proved himself to be very popular in the country," he said.

Mr MacGregor, a former education secretary, and other ministers went out of their way to reject claims that Mr Major would allow himself to be influenced by Mrs Thatcher. "He's had a lot of experience and I have absolutely no doubt that he will be his own man," said Mr MacGregor.

Mr Kenneth Baker, Conservative Party chairman, said he was delighted that Mr Major was to be the new leader. "We all look forward to him leading us to victory at the next election."

Mr Malcolm Rifkind, Scottish Secretary, said it had been a wonderful achievement by John Major.

The financial reaction was also one of relief, with one analyst stating that he believed the markets would open well up now that the leadership contest had been settled.

Conservative MPs and party officials rushed to proclaim that peace had now broken out in the party.

Mr Julian Critchley, MP for Aldershot and a leading Heseltine supporter, said he was obviously sad that Mr Heseltine had not achieved the leadership, but he had changed the course of history and would presumably be in the Major government, "which would be a good thing."

Mr David Mellor, arts minister and one of Mr Major's leading campaigners, congratulated the participants for conducting a campaign with no mud-slinging, which gave promise that all sections of the party would now pull together.

Mr Jack Cunningham, Labour's campaign manager, said: "We have a victory for the Thatcher candidate in the Tory Party. He's the candidate most committed to the Thatcher policies which have led us into recession twice in a decade. John Major hasn't won you know."

When polls showing Mr Major running ahead of Labour were put to him, he dismissed this as a temporary blip in popularity. "There's been a collective sigh of relief because Mrs Thatcher's gone," he said.

Mr Paddy Ashdown, Liberal Democrat leader, said everyone in the country would wish Mr Major well in the task that lay ahead of him.

Mr Neil Kinnock, leader of the opposition Labour party, said: "He is a no change, no majority prime minister. Britain will be given more of the same."

Mr Norman Tebbit, former cabinet minister, said Mr Heseltine, "having seen his vote begin to collapse, was wise to concede."

He thought Mr Major would be "very tough, very dry, very quiet" and was not going to be pushed around by anyone.

Opposition tactics, Page 12

Party activists rally round new prime minister

By Jimmy Burns

THE grass-roots of the Conservative Party last night were rallying round their new leader, and apparently ready to bury recent divisions for the sake of party unity.

Mr Richard Hall, chairman of the Conservative Association in Bath, the spa town in western England, said: "Everybody is very happy that the government can now get on with governing."

He described Mr Major as a "caring and competent man with whom the people of this country can identify."

And in a view shared by many Tory activists last night, Mr Hall added that the campaign had shown the "tremendous strengths" of all three candidates so that he expected both Mr Douglas Hurd and Mr Michael Heseltine to be included in Mr Major's cabinet.

In Corby, central England, the local Tory chairman, Mr Mike Peacock, said last night's result could "only bring good to the Conservative Party."

Mr Peacock described Mr Major as "certainly a man for the 1990s."

In the Isle of Wight, the island off the southern coast, the local Tory chairman, Adrian Axford, urged Mr Major to go for a general election next June on the basis of what he perceived as the new-found unity of the party.

In Battersea, south London, where the Conservative Party's member of parliament has only a small majority, local chairman, Mr Timothy Kidd, described last night as a "very good result for the party" although he would not be drawn on an election date.

Hours before last night's ballot, an FT survey had confirmed the wide support for Mr Major in Conservative held constituencies.

But those responding positively to last night's result included local party officials who had previously declared their allegiance to Mr Heseltine.

In previously pro-Heseltine Ipswich, in eastern England, local Conservative chairman, Mrs Elizabeth Harsant, said: "I'm pleased that it has all come to an end...I think Mr Major is going to lead us to victory at the next general election."

She added: "Mr Hurd should remain where he is as foreign secretary.

"I'm convinced that Mr Heseltine will be given a post in the new cabinet. He would be well suited to the role of environment minister, perhaps even of Party chairman."

Mr Major, however, is likely to take into account the strongly-held views of local party activists who in recent days have blamed Mr Heseltine for Mrs Thatcher's downfall.

Where Britain's top 20 company chiefs* were educated

* chief executives, chairman or MDs; Top 20 in terms of market capitalisation

Iain Vallance, BT: Edinburgh Academy; Dulwich College; Glasgow Academy, Brasenose College, Oxford.

Robert Horton, BP: King's School, Canterbury; University of St Andrews; Massachusetts Institute of Technology

Sir Peter Holmes, Shell Transport: Trinity College, Cambridge

Ernest Mario, Glaxo: Rutgers College of pharmacy, New Brunswick, NJ; University of Rhode Island

Lord Hanson, Hanson: Leeds University

Patrick Sheehy, BAT: Ampleforth College, Yorks

Robert Evans, British Gas: Old Swan College; Blackburn College; City of Liverpool College (Tech); Liverpool University

Sir Denys Henderson, ICI: Aberdeen Grammar School; University of Aberdeen

John Cahill, BTR: St Paul's School

Anthony Tennant, Guinness: Eton; Trinity College, Cambridge

Robert Bauman, SmithKline Beecham: Ohio Wesleyan University; Harvard School of Business

Allen Sheppard, Grand Met.: Ilford County School; London School of Economics

Lord Rayner, Marks & Spencer: City College, Norwich; Selwyn College, Cambridge

John Quinton, Barclays: Norwich School; St Johns College, Cambridge

Lord Young, Cable & Wireless: Christ's College, Finchley; University College, London

Michael Angus, Unilever: Marling School, Stroud; Bristol University.

Sir Alistair Frame, RTZ: University of Glasgow; University of Cambridge

Glen Renfrew, Reuters: Sydney University, NSW, Australia

Lord Weinstock, General Electric: University of London

Lord Alexander, Natwest Bank: Brighton colleges; King's College, Cambridge

A standard bearer steps forward from Mrs Thatcher's new ruling class

By Ivo Dawnay

"THE PARTY of the estate owners has become the party of the estate agents," Mr Denis Healey, the former deputy leader of the opposition Labour Party is fond of saying of his opponents.

To which he now adds with a grin: "And the property market is slumping." The new debate about class politics as the hidden agenda behind the Tory leadership race was almost inevitable when the three leadership contenders declared themselves.

To many they represented the quintessence of the subtle divisions within Mrs Thatcher's new ruling class. Put with cruel bluntness, the contest could be described as patrician versus parvenu versus suburban postmaster. Mr Hurd has been cast as the old-style tory with his roots in the country; Mr Heseltine is the ambitous self-made millionaire; and Mr Major has a reputation as a dull but reliable politician who has risen through the ranks.

But nobody would have put it so crudely, at least in public, had not Mr Major himself chosen to touch on the subject with his not so cryptic attempt to launch social mobility as his platform.

This led on Monday night to the ultimate television situation comedy of having Lord Whitelaw protesting from his estates of discrimination against men educated at fee-paying schools and Mr Douglas Hurd pleading that he had only got to Eton – one of Britain's top private schools – by means of a scholarship.

For the Hurd campaign team, however, the issue is a serious one. A leading supporter of the foreign secretary reported yesterday that his side had probably lost at least 10 votes because of the class issue.

"The one place where the class war is still really alive is inside the Conservative Party," he protested.

Such class conscious comments may attract disapproval but they are nonetheless genuinely felt. One Old Etonian MP complained last week that he had been hissed at in the corridors of Westminster by colleagues who said that it was "people like him" who had stabbed Mrs Thatcher in the back.

Yesterday the same man argued: "The [election] mess is appalling. Things were done much better in the old days in a smoke filled room."

Mr Julian Critchley, the biographer and friend of Mr Heseltine, is much amused by the warfare having entered Parliament in 1959, after, as he puts it, being made "an honorary whiteman" by party bigwigs.

"In those days, Tory MPs were all called Charlie, all related and went to the house as a kind of social obligation," he recalled yesterday. "Now, they are all called Norman and want to be assistant Postmaster General.

"The Commons was the preserve of the upper class who were just bright enough to get the clever middle class to govern and were kept in power by the deferential working class vote."

Basically, it was entirely apolitical. Now the upwardly mobile working class are enlisted to power."

Behind Mr Critchley's wit is a serious point that is acknowledged by Professor Richard Hoggart, Labour-voting author of the seminal 1950s sociological study of the working class, 'The Uses Of Literacy'.

Yesterday, the professor agreed that the new political battleground centres on the allegiances of what was called the "deference vote" and is now classified the C2s – the increasingly materially ambitious segment of the working class.

"If you put Kinnock and Major in a room you would not see much difference," he argued. "Now the struggle is between different types of personality – those like Kinnock who believe people must keep abreast of each other, must help each other up, and those like Major who are individualists."

In this context, there can be little doubt that the social composition of the commons is changing. As Mr Healey pointed out: "It is hard now to tell an MP's party by his clothes or manner."

And, even within the old class boundaries there are divisions. Yesterday, the oldest of the Old Etonians were voting for Mr Hurd.

The nostalgic Mr Critchley remains a Heseltine man, but some political colleagues, just a few years younger, were voting for Mr Major.

THE NEW TORY LEADERSHIP: THE OPPOSITION

Labour faces the Major challenge

By Ralph Atkins

Is listening enough ? Labour will be under pressure to find a rapid response to Mr Major's elevation

THE cricket metaphors, which have plagued the Conservative leadership contest, were inappropriate the senior Labour MP remarked as he watched in bemusement the activity along the Commons' corridors yesterday.

"Much better would be football," he said, his smile widening to a broad grin. "We are waiting in the centre of the pitch for the game to resume."

With the end of the Conservative leadership contest senior Labour party figures will be meeting today to discuss the party's strategy in first months of the post-Thatcher era.

Gradually it has dawned on the party that the game is about to change. At the very least the Conservative party has the opportunity to freshen itself up. Opinion polls have *shown that Mr Major would* put the Conservative's back in the lead.

Labour's National Executive Committee will be eager that the political initiative is regained as quickly as possible. Planned programme of policy announcements has had to be rescheduled while attention concentrated on the Tories.

Next week, therefore, is likely to see a further expansion of Labour's policy on education and health while Commons debates are expected to be used for pressing the newly-assemble government on chosen policy issues.

Suggestions that the party is panicking are dismissed out of hand, as are rumours of dissatisfaction with the performance of Mr Neil Kinnock, Labour's leader.

However, senior figures recognise that adjusting to life under a new prime minister may require some fundamental changes, Labour readily acknowledges that an early general election is increasingly likely given that the next occupant of 10 Downing Street can expect a honeymoon period of some months.

Party officials and shadow cabinet ministers are preparing *for an election as early as Feb*ruary or March next year as well as June or October – previously thought to be the most likely dates.

At the same time, while most senior *Labour MPs* believe the results of its extensive policy review will remain in tact, there is a consensus that the party's message may need sharpening.

That may require taking a further step on its European policy, already the subject of much reflection by members of Mr Kinnock's shadow cabinet. In particular, Labour stand on a single currency – which has not yet been accepted, even in principle, by Labour – is recognised as fuzzy.

With social issues high on the agenda of all three Conservative contenders, Labour will be anxious to make sure its stand is distinctive. That, in the view of some, means making clear that Labour has shaken of its past ideological commitments. "We must be seen as the party of the public interest, not the vested interest," said one shadow cabinet member.

Labour is undeterred by opinion polls showing a new leader giving the Conservatives a lead *over Labour of up to 9 percent*age points. Opinion polls are only a snapshot and with the Conservative's dominating in the news a short-term lead was inevitable, the argument goes.

The party believes its bedrock support remains about about 40 per cent of electorate. The battle with the Tories has, therefore, to be in winning over enough "floating voters" to win a majority in the House of Commons.

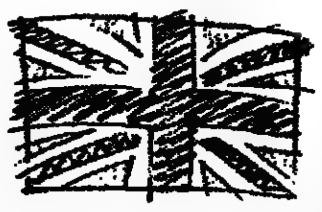
An incoming prime minister may have some advantages, but Labour's senior spokesman believe government ministers will continue to be tarred with the same problems as best the government under Mrs Thatcher.

Yet there is some pressure for Mr Kinnock to seize the chance to improve his performances at the Commons dispatch box – an area where even some loyalists admit he has been disappointing against Mrs Thatcher. Maybe now he faces another man, his jibes will dig deeper, one *female* Labour MP speculated.

Ahead of yesterday's election, Mr Major was regarded as easier target for Mr Kinnock than the more flamboyant Mr Heseltine. He was a close ally *of Mrs Thatcher*, has drawn support from the right-wing of the Conservative party, and has masterminded the government's high-interest rate policy over the past year.

"*Nobody likes a former bank* clerk," sniggered one Labour MP. The opposition party's MPs appeared almost anxious that politics should return to normal.

BRITAIN IN BRIEF



Priority call for single EC market

The completion of the single European market and the enforcement of Community legislation to avoid unfair *competition between member* countries should remain the EC's overriding priority, according to the Confederation of British Industry.

Sir Brian Corby, the CBI President, said that industry's main concern was to see the creation and development of a freely competitive and open European economy. Failure to achieve that objective would increase the dangers of a move towards protectionism.

Sir Brian was launching "Agenda Europe - Completing the Single Market", which the CBI claimed was the first document of its type to set out the business community's approach to the 1990s.

Brian Corby: Call for a freely competitive market

Bank changes guidelines

The Bank of England has fired another shot in its battle to reduce speculation about an imminent cut in the 14 per cent base rate.

It has instructed specialist banks not to divulge how much they are being penalised by the Bank when borrowing money at high rates.

This adds up to a reversal in policy, since the Bank had appeared happy to let outsiders know about the high penal rates it was charging the UK banking system in its money-market operations.

The Bank now seems to believe it will have a better chance of influencing expectations about borrowing conditions if details of its dealings are known only by a few specialist banks.

Judge orders payment

Grand Union Insurance Company, of Hong Kong, has been ordered by a High Court judge in London to pay 1,437,639,195 lira (£665,573) to Compagnia Tirrena Di Assicurazioni (CTA), an Italian insurance company.

Mr Justice Waller said that Grand Union had reinsured CTA's insurance of the Maggiore, Herz and Eurocar car hire companies but had refused to pay any of the claims submitted by CTA.

Mobil buys up gas reserves

Mobil, the US-based oil company, has bought all the gas reserves from the North Scott field, in a move which will intensify the competitive challenge to British Gas.

This is the first time the entire gas reserves of a North Sea field have been sold to a direct rival to British Gas in the industrial gas market.

Mobil announced its entry into the newly competitive industrial gas market in July, but so far it has been hampered by a lack of gas not contracted to British Gas.

Electricity shares 'risky'

The regional electricity companies, due to be privatised next month, are much riskier investments than generally realised, according to a report.

The report has been prepared by Mr Dieter Helm, an Oxford economist and leading critic of electricity privatisation, for Oxford Economic Research Associates, a consultancy group.

Mr Helm argues that the regulatory framework for the electricity industry has been badly designed. The new electricity price market known as the pool gives the generating companies an incentive to boost prices by cutting capacity. This could jeopardise security of supply, the report says.

Nadir hearing postponed

Mr Asil Nadir, the embattled chairman of Polly Peck *International*, must wait another three months before being able to challenge the Serious Fraud Office's refusal to tell him the basis for its investigation of his affairs.

Asil Nadir: High court delays hearing

He and his lawyers have been surprised and dismayed to learn that his application to the High Court will not be heard until February 26. The case had been expected to get to court early next month.

US company in telecoms deal

British Waterways, the nationalised company that controls more than 2,000 miles of Britain's rivers and canals, is planning to lay 1,500km of high capacity fibre-optic cable on the bottom of its canals.

The plan would provide the canals, built in the eighteenth and nineteenth *centuries and* now used by anglers and holidaymakers, the first fruits of the government's proposed revolution in telecommunications.

The company is in advanced stages of negotiation with an American telephone operator and a cable supplier to set up a £50m joint venture for the project. British Waterways refused to identify the companies, but said the venture would probably be set up in January.

Acorn and Apple team up

Acorn and Apple, Britain and North America's best known home computer companies, are joining forces to develop a new design of computer chip with wide applications in business and industry.

They announced the formation of a new chip design company, Advanced Risc Machines (ARM), based in Cambridge and capitalised initially at £5m. Acorn will hold 46 per cent of the equity; VLSI Logic, a US semiconductor manufacturer will also hold 46 per cent while Apple will hold eight per cent. Acorn is 80 per cent owned by Olivetti of Italy.

Motor industry productivity up

Productivity in the UK motor industry improved by more than 60 per cent between 1982 and 1989, Mr Derek Barron, president of the Society of Motor Manufacturers and Traders and chairman and *chief executive of Ford of* Britain said.

New vehicle output increased by nearly 40 per cent in the same period despite a 16 per cent cut in the motor industry workforce, he told the SMMT annual dinner.

According to German comparisons the total labour costs (wages and social costs) of the UK motor industry were lower than anywhere else in western Europe, including Spain.

Sunday paper closes down

The Sunday Correspondent newspaper has ceased trading.

The closure comes just two months after the paper changed format from *broadsheet to tabloid in a bid* to stay afloat.

The paper, launched in September last year, said: "The board of the Sunday Corespondent Ltd announces with great regret that the company ceased trading at 6pm tonight."

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FT LAW REPORTS

Officers' severance pay claim fails

TACOMA CITY
Court of Appeal (Lord Justice Dillon, Lord Justice Ralph Gibson and Lord Justice Leggatt): November 14 1990

SEVERANCE PAY under National Maritime Board terms incorporated into a crew agreement, is payable to a ship's officer only after two years' continuous employment by the ship-owning company or by companies associated with it, not by common management, but through control by shareholding. But if severance pay is due, it is not "wages" giving rise to a lien on the ship with priority over mortgagees, in that it is not part of the value of current service but is paid in respect of past service.

The Court of Appeal so held when dismissing an appeal by 20 plaintiffs in an action *in rem* against Tacoma City, Barclays Merchant Bank Ltd intervening as mortgagee. The shipowner, Reardon Smith Navigation Co Ltd (RSN) took no part in the proceedings.

LORD JUSTICE RALPH GIBSON said the claims arose out of the collapse in 1985 of the Reardon Smith Line and its subsidiary companies. The plaintiffs were all officers who served aboard Tacoma City. The shipowner, RSN, was one of the companies in the group.

The Reardon Smith group of companies announced at the end of May 1985 that they were ceasing to trade. The bank as mortgagee issued a writ *in rem* against Tacoma City on June 4 1985, and she was arrested. Leave was given to the bank to pay off the master, officers, and crew, and the ship was ordered to be sold. The master and officers were paid their wages by the bank. The ship was sold for $1.54m. The Court declared the mortgage to be valid and gave judgment to the bank for $1.11m.

The plaintiffs claimed severance pay totalling £119,682. If they were entitled to maritime liens in respect of severance payment, each would recover in full in priority to the bank. If the plaintiffs did not have maritime liens, the bank would take the whole of the proceeds of sale and the plaintiffs would recover nothing.

Mr Justice Sheen dismissed the claims. The plaintiffs now appealed.

In 1917 the National Maritime Board, a representative body, was set up to secure co-operation between employers and employees of the British Mercantile Marine. The established service agreement currently in force was the 1973 agreement. An NMB redundancy payments agreement replaced the statutory scheme instituted by the Redundancy Payments Act 1965. After the dramatic decline of the British fleet in the late 1970s inadequacies in the NMB scheme became appreciated. Unions and employers negotiated an NMB "Company Severance Payments Agreement" for masters, officers and cadets. It was incorporated into company service contracts.

It was expected by the parties to the collective agreements that shipowners would continue to employ officers and seamen on separate crew agreements on each voyage. That was what happened between the plaintiffs and the Reardon Smith group.

Clauses 1 and 3 of the Companies Severance Payment Agreement provided for severance payments to masters, officers and cadets who "became surplus to the requirements of the shipping company . . . that employs them" and who had a "minimum of two completed years of company service with that company". Clause 7 provided that for the purposes of the agreement "service with a company includes service with any associated company".

The crew agreement on which the plaintiffs relied began at Cardiff on October 22 1984. It incorporated the NMB agreements, including that on Company Severance Payments.

The main issue was whether the plaintiffs had proved a right to severance payment.

The first question was to what "shipping company" did the Severance Payment Agreement refer in "surplus to the requirements of the shipping company" and "company service"?

In the Severance Payment Agreement as incorporated in the crew agreement, "the shipping company" must be a reference to the owner, RSN, as "the shipping company that employs" the officers.

It followed that the right to severance payment arose on an officer's becoming "surplus to the requirements of" RSN. That right was conditional on his having a minimum of two completed years of "company service with that company".

As to the meaning of "company service", the question was considered by reference to the fourth plaintiff, Mr Prosser.

Mr Prosser had a company service contract with a management company which was a subsidiary within the group. He was signed off Tacoma City on June 21 1985. Before joining the ship on February 2 1985, he had served on a number of ships managed by that company. His last ship before Tacoma City was the Skeena, which was managed by the management company but owned by a Mexican company unconnected with the group.

The bank submitted that Mr Prosser had not a minimum of "two completed years company service" with RSN. He served in Tacoma City less than five months. The plaintiffs submitted that service in the Skeena and other ships was service with "an associated company" within clause 7.

The only connection between the companies which owned those vessels and employed Mr Prosser, and RSN which owned Tacoma City, was that all the ships were managed by the management company.

Mr Brenton for the bank submitted rightly that the Severance Payment Agreement was negotiated and agreed as a collected agreement against the background of the statutes relating to redundancy payments, and that "associated company" was intended to refer to association through control by shareholding.

Service with one shipowning subsidiary of a group would be capable of being "company service" with an "associated company" under the Severance Payments Agreement incorporated into a crew agreement made by another shipowning subsidiary within the group. The connection of common management of ships was not sufficient to make a wholly-owned subsidiary of the Mexican corporation an "associated company" of RSN.

Mr Prosser had therefore not made out his claim to severance payment under the crew agreement with RSN, on the ground that he did not have the necessary two years of service with RSN or any associated company.

Miss Bucknall for the plaintiffs acknowledged that if that point was decided against Mr Prosser, the other plaintiffs could not succeed.

If the plaintiffs had been entitled to severance payments against RSN, the question was whether their claims would have constituted "wages" so as to give rise to maritime liens on a ship.

Mr Justice Sheen concluded that claims to severance payments did not qualify as "wages".

Miss Bucknall argued that any sum was "wages" giving rise to a maritime lien if promised to be paid in consideration of service in a ship.

That could not be accepted.

If, for example, payment of a pension on retirement age was promised by a shipowner by terms incorporated in crew agreement to be taken as a lump sum or by future periodical payments, that lump sum or the value of the pension or even the sums which fell due at time of termination of employment, though consideration for services, would not fall within "wages".

All the additions to wages, payable under special contracts, "which the mariner can be fairly said to have earned by his services" (per Chief Justice Worley in *The Arosa Star [1959] Lloyd's Rep 396, 403*) which had been accepted as giving rise to liens, had been claims which could be regarded as items in the quantification of the value of the current service in the ship. Pension, as contrasted with contributions towards pension fund, was not part of the agreed value of the current service but was reward for past service. A pension, or a medical severance payment, or a redundancy payment were not part of the seafarer's current service, but were paid in respect of earlier service.

Severance payments under the NMB agreement were outside the concept of "wages" and provided no basis for maritime liens.

The appeals were dismissed.

Appeals in respect of claims to wages in lieu of notice were also dismissed, on the ground that the relevant agreements were for voyages of stated duration without express or implied term as to notice for earlier termination.

Lord Justice Dillon and Lord Justice Leggatt gave concurring judgments.

For the plaintiffs: Belinda Bucknall QC (Ingledew Brown Bennison & Garrett).

For the bank: Timothy Brenton (Norton Rose).

Rachel Davies
Barrister

EDUCATION

DOLLAR ACADEMY

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The examination will take place on Saturday 26 January 1991 at 9.30 am.

The main points of entry are at 5, 8, 10 and 11. Entry to the early years of the Prep School is by interview with the Headmaster.

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A prospectus and forms of application can be obtained from the Registrar, Dollar Academy, Dollar FK14 7DU (Telephone 0259 42511: Fax 0259 42867) and must be lodged not later than Friday 18 January 1991.

For those whose names are already on the entrance lists, no further application need be made.

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LEGAL NOTICES

Grenfell Bursham Lambert Holdings Ltd

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a meeting of the creditors of the above-named company will be held at York Room, New Connaught Rooms, Covent Garden Exhibition Centre, Great Queen Street, London, WC2B 5DA on Wednesday, the 5th day of December 1990 at 11.00 am, for the purposes mentioned in Section 99, 100 and 101 of the said Act.

Statements of claim, and proxy forms if applicable, must be lodged at 20 Farringdon Street, London, EC4A 4PP not later than 12 noon on the 4th day of December 1990.

A list of the names and addresses of the company's creditors may be inspected, free of charge, at the offices of KPMG Peat Marwick McLintock, 20 Farringdon Street, London EC4A 4PP on 3rd and 4th December 1990.

Dated this 22nd day of November 1990.

By order of the board with the consent of the Joint Administrators

M. Fox-Andrews - Director

BRAND BROTHERS HOLDINGS (COVENTRY) LIMITED

Registered number: 874297
Nature of business: Electrical Engineers
Trade classification: 27
Date of appointment of joint administrative receivers : 20 November 1990
Name of person appointing the joint administrative receivers: Midland Bank plc.
JOHN FREDERICK POWELL and DAVID ROBERT WILTON
Joint Administrative Receivers
(Office holder nos 249 and 292)
Cork Gully
43, Temple Row,
Birmingham
B2 5JT

VENUS CONTRACTS LIMITED

Registered number: 1094704
Nature of business: Interior Designers and Contractors
Trade classification : 25
Date of appointment of joint administrative receivers: 16 November 1990
Name of person appointing the joint administrative receivers:
National Westminster Bank Plc
JOHN FREDERICK POWELL and STEPHEN TAYLOR ESQ
Joint Administrative Receivers
(Office holder nos 249 and 7821)
Cork Gully
43 Temple Row
Birmingham
B2 5JT

LANGLAND CONSTRUCTION COVENTRY LIMITED

Registered number 1771914
Nature of business: Builders, decorators, contractors
Trade classification: 23
Date of appointment of joint administrative receivers: 20 November 1990
Name of person appointing the the joint administrative receivers: Midland Bank plc
JOHN FREDERICK POWELL and DAVID ROBERT WILTON
Joint Administrative Receivers
(Office holder nos 249 and 292)
Cork Gully
43 Temple Row
Birmingham
B2 5JT

LANGLAND CIVIL ENGINEERING LIMITED

Registered number: 2262536
Nature of business: Builders, contractors
Trade classification: 23
Date of appointment of joint administrative receivers: 20 November 1990
Name of person appointing the joint administrative receivers: Midland Bank Plc
JOHN FREDERICK POWELL and DAVID ROBERT WILTON
Joint Administrative Receivers
(Office holder nos 249 and 292)
Cork Gully
43 Temple Row
Birmingham B2 5JT

VENUS ENTERPRISES (UK) LIMITED

Registered number: 2365757
Nature of business: Interior Designers and Contractors
Trade classification: 25
Date of appointment of joint administrative receivers: 16 November 1990
Name of person appointing the joint administrative receivers: National Westminster Bank Plc
JOHN FREDERICK POWELL and STEPHEN TAYLOR ESQ
Joint Administrative Receivers
(Office holder nos 249 and 7821)
Cork Gully
43 Temple Row
Birmingham B2 5JT

THE BATHROOM TRADING COMPANY LIMITED

Registered number: 1638278
Nature of business: Importing and distribution of bathroom equipment.
Trade classification: Other wholesale.
Date of appointment of joint administrative receivers: 16 November 1990.
Name of person appointing the joint administrative receivers: Barclays Bank plc.
JOSEPH PATRICK CONSIDINE and Richard Anthony Smart
Joint Administrative Receivers
(Office holder nos 056 and 286)
Cork Gully
Churchill House
Churchill Way
Cardiff CF1 4XQ

No. 69 of 1989

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
BIRMINGHAM DISTRICT REGISTRY

IN RE: O P S LIMITED
(IN LIQUIDATION)
AND
IN THE MATTER OF
THE INSOLVENCY ACT 1986

A public Examination of Paul Trevor Prew-Smith will be held at 10.15 a.m. on 19 December 1990 at The Court House, 4 Newton Street, Birmingham.

DATED this 22nd day of November 1990

R H BAYLEY
Official Receiver
Commercial Union House
22 Martineau Square
Birmingham B2 4UP

CORPORATE SECURITY

The FT proposes to publish this survey on December 13 1990. It will be of particular interest to the tens of thousands of Directors & Managers who make decisions regarding the purchase of security services who are also regular FT readers. If you want to reach this important audience, call Jessica Perry on 071 873 4611 or fax on 071 873 3062.

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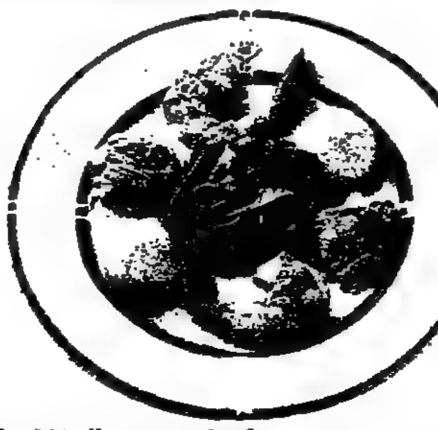

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MANAGEMENT

Free markets versus interventionism

The business case for Labour

Robert Bischof offers a personal perspective

Recent events may have administered some sharp kicks to the Conservatives, but one thing has not changed: the Tories are still regarded as the businessman's friends – the natural voting habitat for those who toil in commerce and industry.

Perhaps it is time for some new thinking in the boardrooms with some serious consideration being given to where the best interests of business really lie. There is plenty of evidence that unbridled free-for-all capitalism may no longer be the best way; and that what business in Britain needs is the kind of managed economy that has, for example, served Germany so well and is now being offered by the new, moderate Labour Party.

As the former West Germany discovered, a totally different set of tools is required to keep economic activity at a continuously high level rather than a succession of medium-term booms followed by periods of pain. Consistency of economic activity is crucial because it encourages secure, long-term patterns of investment.

The Barber and Lawson booms had another effect; they sucked in imports and lost market share. Once lost, market share is rarely recovered. My own company, which imports German-manufactured forklift trucks, has good reason to erect bronze busts of Barber and Lawson in our boardroom. We owe them much!

All this is not to deny the achievements of Thatcherism. The Thatcher glory years from 1979 to 1988 produced a little *Wirtschaftswunder*, based on deregulation, reduced union power, support for small businesses and a hard-nosed capitalist ideal of free trade and a minimum of state interference.

There is an interesting parallel with that other *Wirtschaftswunder*, the rise of West Germany following the Second World War. During these years the German economics minister, Ludwig Erhard, pursued a policy of unrestrained capitalism where the market ruled and the state did not interfere. But once the economy reached a peak in the mid-1960s, he failed to maintain this high level and was ousted.

During this boom period the Social Democratic Party (SPD) lost election after election until it moved decisively from the left towards the centre. Under Willy Brandt, Helmut Schmidt and the economics minister, Karl Schiller, the new SPD motto became "Market economy as much as possible: state interference as little as necessary". The new market economy was born, with its goal of prosperity and social harmony.

The parallels with British politics are obvious, with Margaret Thatcher in the role of Erhard and the Labour Party under new leadership moving like the SPD from the left to the centre. Labour should now be able to manage today's economy better than the Tories. It has moved out of its ideological trap of being committed to socialism and learned the lesson. The Tories moved further to the right under Thatcher and will now have to find a new position.

The free-for-all economy means that companies have to pay too much attention to short-term profitability and far too little to long-term market share, which is what Japanese and German companies can afford to concentrate on. Mergers and takeovers have a destructive influence on companies' long-term survival that outweighs their perceived functions of making firms leaner and fitter.

In these areas there is a definite role for government. Let us look at some examples. In Britain pension funds and institutions are under constant pressure to get top performance from their funds. League tables are published monthly.

In Germany, equity holding by pension funds and insurance companies is restricted to 15 per cent of their total portfolio and they are only allowed to invest in companies with a respectable gearing.

If this or something similar was introduced in Britain, it would relieve the enormous pressure on companies having to impress the city with ever-increasing profits. Such profits can often only be achieved by acquisitions based on increasing borrowings.

In Germany, many of the laws regulating business came about because of economic problems in the 1930s. But they have since proved to be a stabilising influence.

The German experience clearly shows that in some areas of business activity "more state", not "less state" is needed. At present it appears more likely that a Labour government will attack such issues more vigorously than a Tory party wedded to a "no intervention" policy.

The German experience clearly shows that in some areas of business activity 'more state', not 'less state', is needed

Another area crying out for state involvement is interest rates. In Germany, Austria and Switzerland, there are still usury laws which make financial transactions illegal if they carry an interest rate higher than approximately 4 per cent over base rate. A higher rate than this is seen as exploitation of borrowers who are socially weak, uninformed, or both. Interest rates are a very questionable tool anyway, but the excessive rates in the UK on credit cards, overdrafts and hire purchase are intolerable.

Laws restricting interest rates have important macro-economic implications. The free availability of credit which feeds on high rates has made the management of macro-economic demand extremely difficult. This was shown in the boom that followed the income tax reductions of 1988. Much more important, though, is the fact that high interest rates have a nasty side-effect of redistributing income and wealth from nett borrowers, who tend to be the socially less affluent, to the nett lenders, who are the high earners and wealthier people in society.

Another example of government reluctance to involve itself in industry relates to the slow payment by companies of their bills. A measure designed to force companies to pay interest on amounts not paid in an agreed time was talked out in the House of Commons. Absence of such a measure not only harms small companies but keeps more than 100,000 totally superfluous credit controllers on the payroll of companies.

Clearly, here again there is a role for the state to set the rules.

But successful government is not just about regulation; it must also have wider ideals and policies to support them.

In Germany, after the Erhard years, the concept of the social market economy included a desire for social harmony between employers and employees. This ideal has also been adopted by the Conservative Christian Democrats. Today Helmut Kohl speaks of *Soziale Marktwirtschaft* as if he invented it.

The Common Market's Social Charter is another expression of this desire for social harmony. Yet Thatcher saw it as "socialism by the back door" and it is likely that this could lead to further conflicts with any Tory government. A Labour government, on the other hand, would have few problems in accepting the Charter.

For business there is another extremely important area where Labour should do better than the Tories: education and training. Labour should be able to do a deal with the unions to re-introduce proper industrial apprenticeships.

In Germany, for example, there are about 2.6m young people serving apprenticeships. Such a system needs state involvement in setting up training facilities and colleges as well as providing the necessary cash to pay for them.

Communism and socialism are now dead. Unrestrained Anglo Saxon-type capitalism does not appear to work so well either. The search must be for a middle of the road approach. In Britain it may be the new-look Labour Party that seems most likely to find it, unless there is a real about-turn in the Conservative Party.

Robert Bischof is chairman and managing director of Jungheinrich (GB) Ltd.

Women's careers

Re-writing the rat race rules

Diane Summers reports on suggested moves necessary to tap all potential talent

Well-qualified women enter employment in the UK in similar numbers to men. At every fence on the way to the top, however, women fall in greater numbers than their male colleagues.

Only one in four junior managers is a woman, and by senior management level the number of women left is reduced to just one or two per hundred managers.

There is no single reason why women are so under-represented; there is no one career stage at which they suddenly disappear. Their failure to reach management is a cumulative process.

This is the conclusion of a study jointly published today by the National Economic Development Office and the Royal Institute of Public Administration.* The report draws together strands of research to present a clear picture of under-achievement – one that is unlikely to change very much unless some of the basic rules of work are redrawn, argues Nedo.

The report aims to convince the overwhelmingly male body of chief executives and senior managers that they are missing out. Only half of all potential talent is currently being tapped; organisations which find ways of tapping the other half, it is argued, will gain a competitive advantage.

Some evidence also suggests that men are becoming "reluctant managers", no longer content to sacrifice their health and personal relationships for their jobs.

Perhaps, too, ambitious men in their thirties and forties are finding working life more stressful than the generation of managers before them; they are less likely to be serviced and supported by wives at home.

All this comes at a time when an actual increase in the number of managers is required; broadly defined, there are currently up to 3m managers in the UK and forecasts suggest that a total of around 700,000 additional managers will be needed by the year 2000 as opportunities continue to expand in the high-skill areas of employment.

The role of management will change as adding value rather than squeezing costs becomes the key to remaining competitive, Nedo observes. In future, management is "likely to be less about issuing orders and keeping subordinates in check and more concerned with building relationships in and outside the company". This shift is likely further to increase the value of women managers, it is argued.

The Nedo study does not go as far as suggesting that the supply of suitably-qualified managers is about to dry up. It does, however, point to some strong reasons for understanding the current construction of the hurdles and why women fail to surmount them.

Organisations then have the opportunity to decide whether they are going to make it easier for women to compete successfully or, more radically, whether they are going to rewrite the rules of the race.

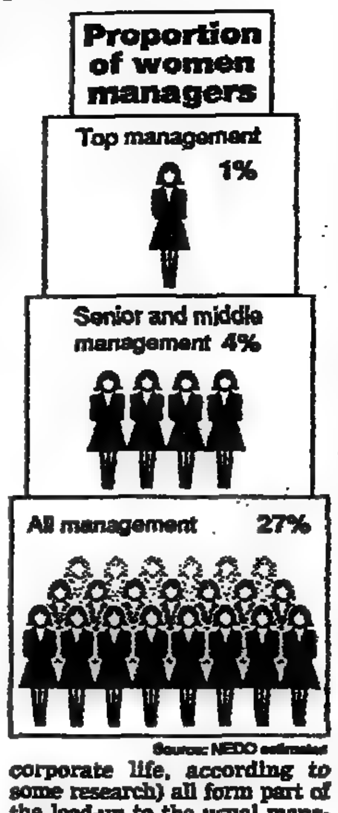
Women's early career choices may dramatically reduce their opportunities. They are concentrated in areas with poor career prospects, like secretarial and clerical work. Even when they go for higher status occupations they may miss the right track to promotion.

Senior or general managers are not usually drawn from jobs that are seen as the support, rather than the central functions, in a business. Women tend to go into these support-type jobs.

In insurance they are more likely to work in personnel than to be actuaries; in retailing they are more likely to handle staff management than store management; in manufacturing, women are more likely to be in sales than production, Nedo points out.

"Promotion out of a support function is not easy. Employers argue that candidates with this type of background lack the real business understanding needed for senior or general management," the report says.

Even women who make a promising start may subsequently fail when they cannot construct the kind of track record seen as essential for promotion to management grades. An unbroken employment record, willingness to work long hours and geographical mobility (often an imagined rather than real need of corporate life, according to some research) all form part of the lead-up to the usual managerial career.



Being the "right age" is also important; careers are paced so that by the time managers reach senior level they still have a number of productive years before retirement, says Nedo. Those aiming for the most senior jobs are expected to have arrived by the time they are in their early forties.

"Obviously, this makes the thirties a critical career stage, in which managers muster as much varied experience as they can and demonstrate their senior management potential in a series of very demanding jobs," the study points out. This pacing could not be worse for women (or, indeed, men) attempting to combine work and family life.

Organisations seriously intent on increasing the number of women managers are faced with two possible courses of action. The Nedo study characterises these as the "life *is* work" and "life *and* work" approaches.

Under the first, employers remove some of the extra hurdles women face but continue to insist that women must reach management posts in the same way as men. In other words, that they must work continuously and full-time, fitting in domestic commitments around their jobs.

This traditional approach would include, for example, encouraging women to improve their professional qualifications and making science and manufacturing careers more attractive. It would also include the various child-care options that some employers are beginning to consider such as workplace nurseries and childcare vouchers.

"This approach may be the quickest short-term route to increasing the number of women managers, but it may not have the kind of dramatic results companies expect," Nedo points out. The approach assumes a male way of life and work and ignores many of the social changes of the last decade.

Parents who wanted to be managers would still find themselves with inadequate time off to spend with their children and late starters would still be considered too old for training and promotion.

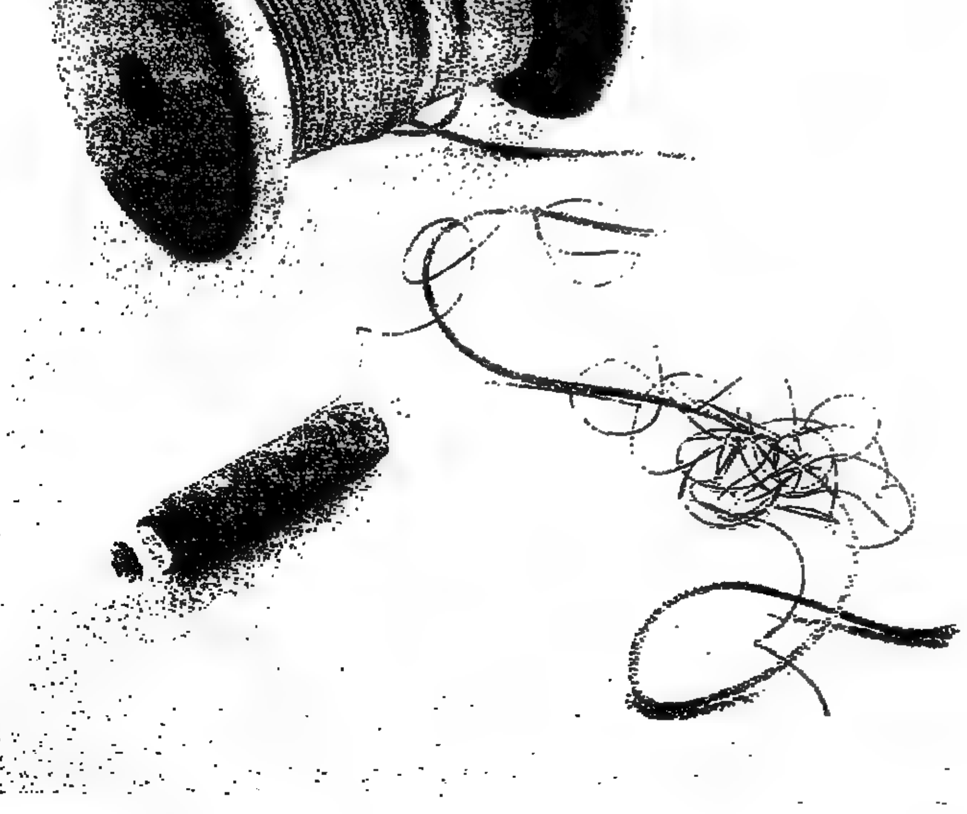
The life *and* work approach starts with an acceptance that current managerial careers often make unreasonable demands on men as well as women.

The radical consequences of such an approach would mean redesigning managerial jobs to make part-time work more realistic, as well as revising some basic assumptions about managerial careers. For example, are continuous employment and geographical mobility really necessary?

Flexible career break schemes with returner programmes and new attitudes to age, allowing late starters and mature students access to managerial careers, would also have to be considered.

"The first approach removes some of the extra hurdles women face and the second brings them down in height," says Nedo. In reality, the approaches are not alternatives but complementary ways of eliminating unnecessary obstacles, the study concludes.

**Women managers: the untapped resource. Nedo in association with RIPA. Published by Kogan Page, £2.99.*



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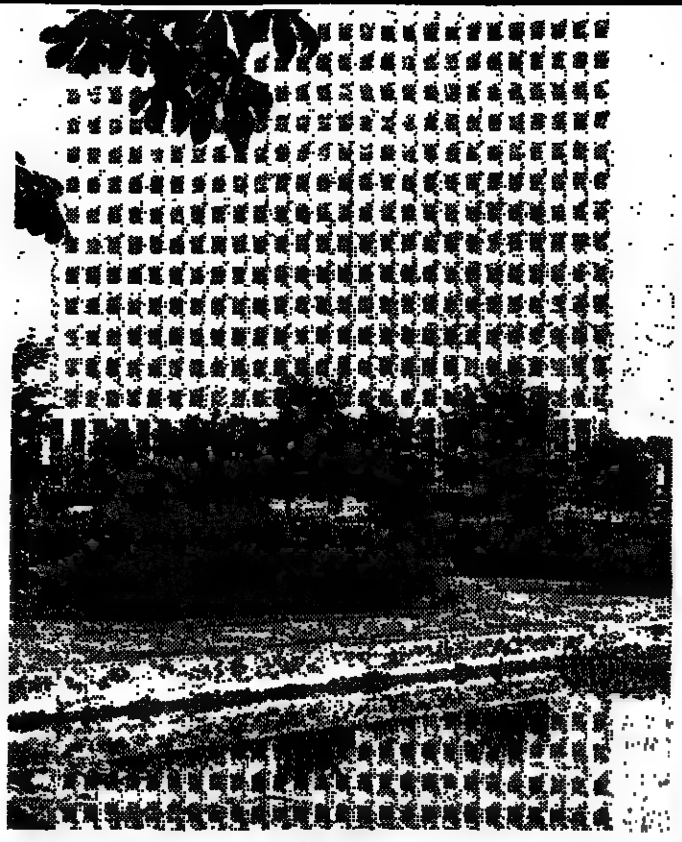
FINANCIAL TIMES SURVEY

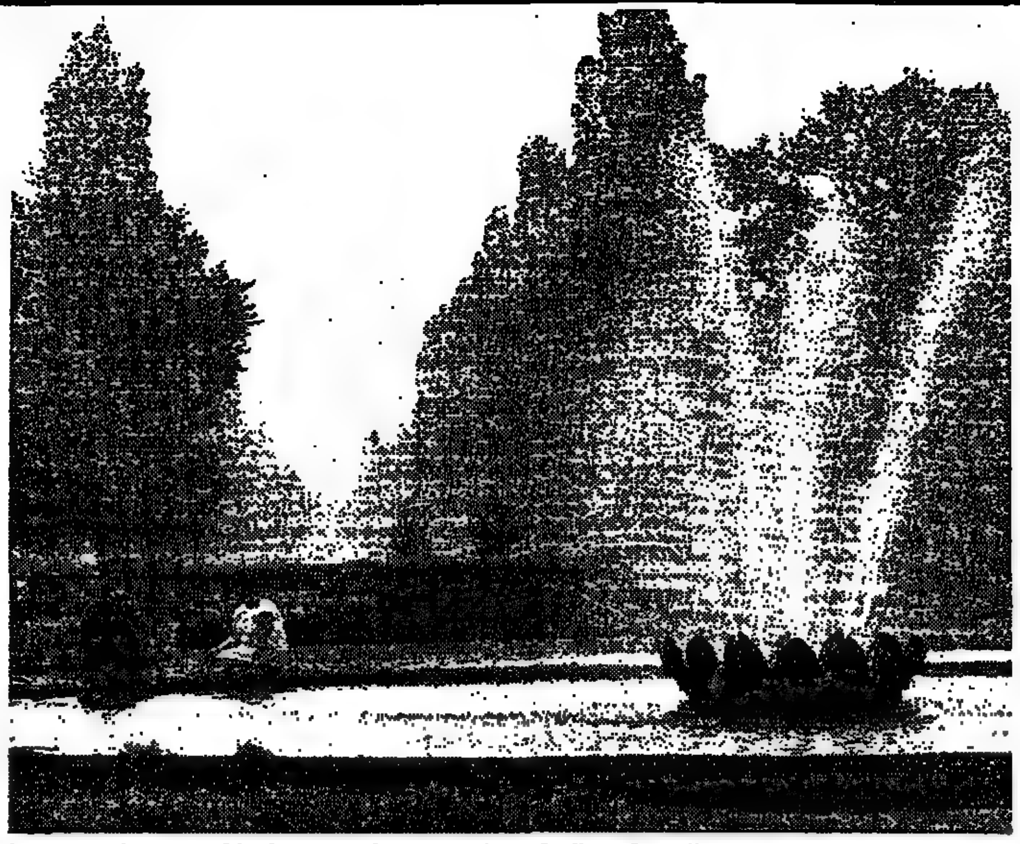
HERTFORDSHIRE

Wednesday November 28 1990

New towns and garden cities led to the first wave of investment into Hertfordshire. The green image, together with the county's proximity to London, remains a powerful magnet. But is there a danger of overheating? Stewart Dalby investigates

Maintaining the balance





As the home of the first garden cities, Hertfordshire is conscious of its green image and is determined to maintain its feeling of rurality

LESS than a year ago, Hertfordshire was like a city centre car park – full.

Officials at Hertfordshire County Council like to talk of successive waves of investment and relocation, both of companies and people, lapping into the county.

The initial wave came in the early years of the century with the first of the garden cities, Letchworth and Welwyn Garden City. By the 1930s, engineering and other manufacturing concerns, particularly those involved with the new consumer industries, were drawn out of the industrial grime of the cities into these green, well-planned open spaces. Then, in the 1940s and early 1950s, a second generation of new towns such as Hatfield, Stevenage and Hemel Hampstead attracted newer types of concerns – defence, aerospace and pharmaceutical groups.

The pharmaceutical companies arrived for broadly similar reasons to the earlier wave. Local authorities were offering plenty of space (as well as incentives) in what was a benign environment for companies associated with the health industry.

The aerospace industry developed a presence in Hertfordshire partly by design, party by accident. Hatfield had an airfield, which the de Havilland Aircraft Company (as it then was) bought in the 1930s, finding itself cramped for space in Edgware. Today British Aerospace, a descendant of de Havilland, still owns some 800 acres, including the airfield. The site is the headquarters of the company's civil aviation division.

By the early 1980s, Hertfordshire had what was said to be the heaviest concentration of high technology concerns in Britain, together with a core of older, so-called 'metal bashing' companies.

The recession of the early 1980s resulted in an exodus of many of the older concerns to places where land and labour was cheaper. The original diaspora from London of the manufacturing groups spread further afield.

Job losses – unemployment did rise to over 7 per cent, historically very high for Hertfordshire – were made good by a third wave of immigration, this time largely of service companies. They were attracted not just by comparatively lower overheads but by the proximity to London and the communications infrastructure. The influx was given a particular impetus by the completion of the M25 motorway in the mid-1980s. It runs right through the county and links up with the M1, the A1(M) and other important north-south arteries.

The good communications – rail links to London were greatly improved in the 1980s – meant a number of people wanted to live in the spacious, comfortable environment that the county offers and commute to London.

The infusion of people and companies (Hertfordshire now has a population of just under 1m although, at 630 sq miles, it is relatively small) has brought in its wake major retail schemes like the Brookfield Centre in Broxbourne, the Howard Centre in Welwyn Garden City and the Gallerias in Hatfield. Some of these may look a touch forlorn with the recent downturn in consumer spending, but pressure for further ambitious retail schemes has been quelled.

By the start of the 1990s, Hertfordshire was looking full – at least, those parts of it the county and district authorities will allow to be developed for industry, offices and housing. As the home of the first garden cities, Hertfordshire is conscious of its green image and is determined to maintain its feeling of spaciousness and rurality, in spite of its proximity to London and comparative smallness.

Not only was the county full, it was beginning to overheat. Unemployment was down to 2.8 per cent. Major companies say there has been a problem in finding skilled labour, particularly science or engineering graduates, because they could not afford the high house prices; a problem which had become acute by 1988. Shortages of skilled labour, the high cost of housing and land, and the general congestion, were pushing up costs and making the county a less desirable place to be than hitherto. Neither were the local authorities vigorously promoting the area.

The heat has been drawn to some extent by the slowdown in the economy. The housing market, as elsewhere, has become static and a number of large companies, including BAe and SmithKline Beecham, are reorganising.

Mr Brian Briscoe, the new chief executive of the county council, says: "I would never argue that recession is a good thing for companies, but a slowdown does give an opportunity to restructure and change and this is what many companies are doing."

Mr Simon Smith, an economist with the planning department of the county council, feels that with or without a recession, Hertfordshire was not and will not become as congested and overheated as the Thames Valley, although he admits that there is a comparative shortage of greenfield sites.

Mr Smith says, however, that tens of thousands of square feet of B1 type property is available, because the process of older manufacturing concerns moving to cheaper climes is continuing. Properties are continuously being upgraded and refurbished. Mr Smith maintains that companies involved in development, research and marketing will be able to find premises; existing companies will be able to expand. Rents of between £20 and £30 a square foot for B1 light industrial/office type properties make the county competitive with other areas around London.

High technology companies involved in aerospace and electronics will want to remain in Hertfordshire, as will pharmaceutical concerns. They want to be close to London because the Ministry of Defence is there. So too is the medical establishment. There are advantages in locating between the three main universities of London, Cambridge and Oxford.

Companies and county officials admit that the high price of housing has been a difficulty in persuading graduates and other skilled labour to set up in Hertfordshire. However, unlike the Thames Valley and other parts of the crowded south-east, Hertfordshire does have a cheaper catchment area to its north. Newcomers might consider areas 15 miles north of Stevenage, where property is reasonably priced.

There is a pool of skilled and labour in Hertfordshire, another reason why certain kinds of companies want to be there. To ensure this continues the county council has warmly embraced the new Training and Enterprise Council, which is involved with local employers, the polytechnic and colleges of further education.

Hertfordshire may appear congested, but it is a county of small towns with no massive population centres. Many are new towns, and are as such better laid out than older cities. Hertford, Watford, Hemel Hampstead have their rush hours, but nowhere does congestion seem as daunting as in Slough, Reading or Bristol.

While the county might seem fully developed in terms of industry and commerce, however, it does not appear overheated or overcrowded. Housing apart, nor does it seem particularly expensive, even though it is close to London.

For the moment, it seems to have struck a reasonable balance between being a nice place to live and a convenient location to work.

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'Metal bashing' is out: high technology and services are in, writes **Stewart Dalby**

A concentration of new industries

MR STEWART Siddall, chairman and chief executive of pharmaceutical concern, SmithKline Beecham, explains the changing face of Hertfordshire's industry by going to his window and pointing to a new state-of-the-art, B1-type development across the road from his Welwyn Garden City headquarters.

A low spacious cluster of buildings with sloping roofs, plenty of plants and green borders and lots of car parking, the site used to be an industrial shed.

"There was an engineering concern over there, making valves or something", Mr Siddall says.

"They were probably turning over around £1m a year and making £100,000 profit. They realised they were sitting on a three acre site worth £1m a acre. They decided to develop it and move the engineering out to somewhere cheaper", he says.

This has been the pattern for at least the past ten years. Older so-called 'metal bashing' concerns, some of which have been in Hertfordshire since the 1940s, have made way for newer high technology companies. It is not so much that rates and rents and land values have made it uneconomic, although this has been a factor; more that in the nature of their operations, cheaper labour can be found elsewhere in the country. Lacking a compelling reason to stay in the county, they have taken windfall profits from land sales and moved.

It seems unlikely that the high technology and service companies which have moved into refurbished and upgraded properties will in their turn move out. Large concerns may move part of their operations away. SmithKline Beecham is moving some manufacturing to Crawley, Sussex. But for pharmaceutical and other high technology concerns there are compelling reasons to stay.

There are some 17 pharmaceutical concerns in Hertfordshire, including famous names like Glaxo, Roche, Merck Sharp and Dohme, Stafford Miller and SmithKline Beecham. The major companies employ around 10,000 people and Hertfordshire, with its garden cities, its green image and spaciousness, has to some extent become identified with the health industry.

Health and pharmaceuticals is not the largest single group of companies, however; this role falls to aerospace and defence. British Aerospace now employs over 11,000 people in its three companies in the county. Civil Aviation, where the BAe 146 airliner is made, is in Hatfield; Space and Dynamics are in Stevenage. Other companies in the sector which employ more than 1,000 people include Rolls-Royce, Lucas Aerospace, McDonnell Douglas Information Systems and GEC Avionics. Around 25,000 to 30,000 people work in the county's aerospace/defence industry, which, it is believed, makes Hertfordshire the home of the fourth largest cluster of such companies in the country.

If other electronic concerns are included with defence and aerospace, then probably some 50,000 people are employed in this sector. Companies such as Marconi Instruments and computer manufacturer ICL have a presence in Hertfordshire. If defence and electronics are counted together with pharmaceutical concerns, then Hertfordshire has the largest concentration of high-tech companies in the UK, according to a study undertaken at Hatfield Polytechnic.

Ask any of the major companies why they are in Hertfordshire and they invariably answer that they have always been there. BAe's presence in the county dates back to 1934 (through its links with de Havilland); Glaxo goes even further back.

EMPLOYMENT

Sector	Total
Agriculture, mining	22,600
Metals, vehicles	63,400
Other manufacturing	30,400
Construction	19,700
Distribution, hotels, retail	82,200
Transport, communications	17,300
Banking, finance, insurance	42,900
Other services	114,400
TOTAL	392,900

Source: Hertfordshire County Council, 1987

Even more recent arrivals talk about the days when Hertfordshire was a greenfield site in the fullest sense of the word – McDonnell Douglas moved to its Hemel Hampstead plant in 1970.

As it has filled up, however, the county has developed disadvantages as an industrial location.

Rents and rates are high and labour shortages are beginning to appear. A particular problem is in recruiting graduate scientists and engineers who can afford the high house prices, particularly in the south of the county.

Many companies in Hertfordshire are beginning to worry about the state of the UK economy. The outlook for defence companies is not particularly rosy because of declining defence spending. Some pharmaceutical concerns are worried about pressure on their margins because Britain's entry into the exchange rate mechanism of the European Monetary System. Companies in this sector are often large exporters.

A survey of 150 Hertfordshire businesses conducted for KPMG Peat Marwick McLintock, the accountants which moved into Hertfordshire in 1987, found that more than two-thirds of those questionned expect an increasing number of local companies to fail during the next two years. It also found that only one in 10 agree with the government's prediction that inflation will be less than 7 per cent by mid-1991 and four-fifths believe that interest rates will stay at 12 per cent or above.

Despite this, few large companies can envisage moving somewhere cheaper. Defence and pharmaceutical concerns cite proximity to London as being important; Hertfordshire is conveniently placed between the main universities of London, Oxford and Cambridge.

While there are problems surfacing in attracting skilled labour, there is by the same token a huge reservoir of labour already in place. Shortages will mean companies will have to pay more for it.

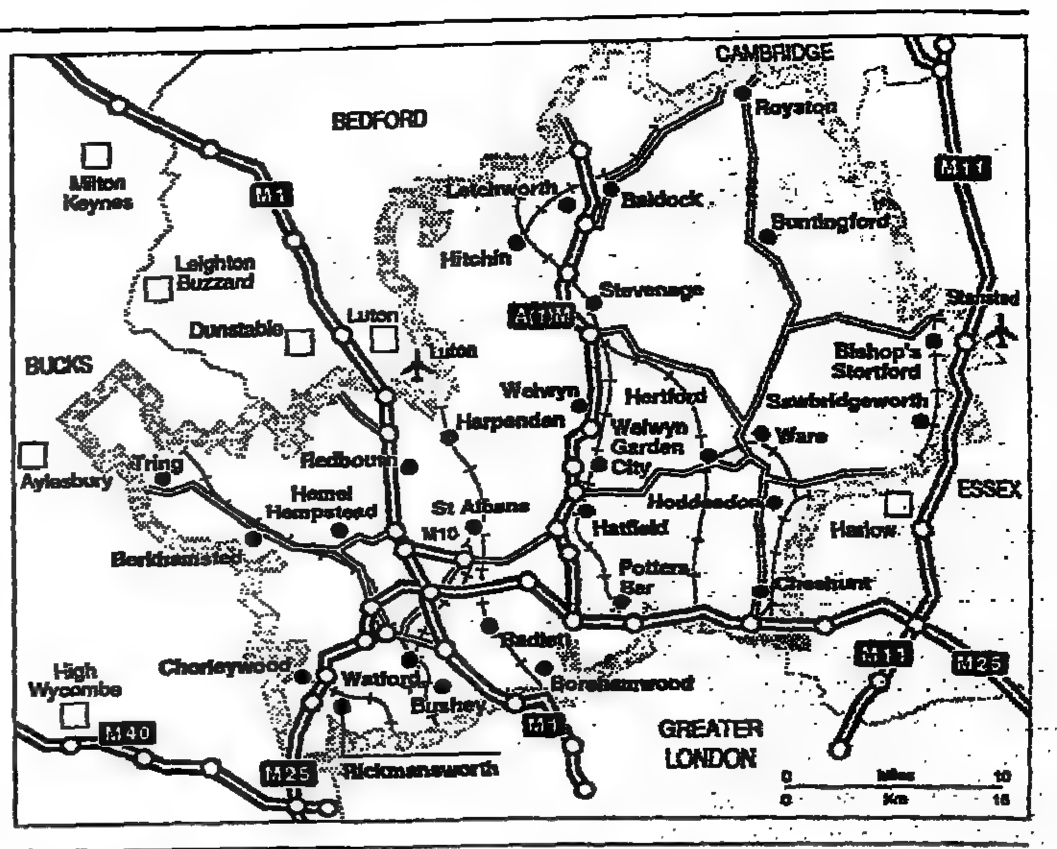
Proximity to London is also an important factor in the build-up of service companies in Hertfordshire. The completion of the M25 in the mid-1980s and the improvement of rail services locked the county closer into Greater London than ever before and there are a large number of commuters. There is also a large service sector.

The county council is the Hertfordshire's largest employer, with 40,000 people – equivalent to 10 per cent of the workforce. This could change, however, if the recommendations of a recent consultants' report on the review of the county council are implemented. Hertfordshire is the latest in a line of county councils which are becoming more entrepreneurial and managerial. This could mean that some services will be privatised.

Apart from local authority services and retailing, the financial services sector has also developed. As well as KPMG Peat Marwick McLintock, Price Waterhouse has also set up in the county recently. A number of insurance companies and banks, such as Canada Life and National Westminster, have also established a presence.

Confederation Life moved most of its operations to Stevenage from central London in 1988, and now employs 582 people in the Hertfordshire town. The company looked at other sites in the capital and one in Milton Keynes, but Stevenage's proximity to London and support services offered the company exactly what it wanted.

The influx of white-collar employers is giving the county a more balanced employment profile without the strains on the labour force becoming, as yet, too great.



Few counties face such intricate transport problems. **Jim Kelly** reports

Putting the brakes on road traffic

ON OCTOBER 23, thirty barrels of hydrobromic acid fell off a lorry on the M1 in Hertfordshire after a multiple accident between exits nine and ten: within seconds the acid was eating the surface of the south-bound carriageway.

Despite the efforts of the county council, which re-surfaced the road by 5.00am the next day, the resulting tailbacks stretched 10 miles and sent thousands on an excruciating diversion across country.

Few other counties have had to deal with the tidal flow of long distance motorway travel and commuting, together with the intricacies of travel in a rural environment. That Hertfordshire has survived, and is not now lying beneath Europe's biggest traffic jam, is a tribute to planning.

Road, rail and bus services survived the overheating of the boom years but, by most judgements, are now entering a critical phase, alleviated to some extent by the current recession.

On the roads, growth has been breakneck. Between 1975-85 there was a 46 per cent increase in traffic flows. There are half a million vehicles in Hertfordshire, 80 per cent of them private cars. If one statistic sums up the county, it is its place at the top of the league of the UK car ownership compared to population.

The then prime minister opened the last 11-mile stretch of the M25 motorway in Hertfordshire in 1986: astonishingly, some of the traffic flows on the world's longest city by-pass are above Whitehall estimates for 1996. The new motorway provides a girdle linking the major north-south routes, the M1, M11, A10, and A1(M). It puts Stevenage within 30 minutes of Luton, 50 minutes of Heathrow and 90 minutes of Gatwick airports. Meanwhile, on the very edge of the county at Stansted, that airport's new terminal is about to open with direct rail links to London and Peterborough and road links to all four compass points.

County Surveyor, Mr Nigel Knott does not underestimate the problems the county faces. On some stretches of motorway traffic flow can reach 150,000 vehicles per hour, compared to 70,000 on an average busy dual carriageway.

There is peak hour congestion on main roads and in town centres: "The problem as a whole is not capable of a solution. It is capable of being alleviated", says Mr Knott. The county's policy is to give the highest priority to roads at the top of the transport hierarchy: motorways and major trunk roads.

While this may seem to be a recipe for unbridled growth, the reality is more subtle. By keeping major tidal flows on the trunk network, the minor rural and urban system is preserved. The acid spill on the M1 showed what might happen if the policy is ignored. "This incident had a very significant impact on the villages off the motorway", says Mr Knott.

There are half a million vehicles in the county, 80% of them private cars

And there are unseen brakes on traffic growth. Whitehall predicts a 140 per cent increase in the perceived need to travel by car in the county. As actual usage builds towards that figure, the daily experience of travel on the roads is likely to inhibit growth itself. Meanwhile, there are Department of Transport-led widening schemes on all the county's motorways and virtually all trunk roads. The county is also involved in building new roads, such as the M1 extension into Watford and the Baldock by-pass.

Success on the roads is likely to depend on the ability of the rail and bus network to take some of the strain. Mr Graeme Bell, head of services planning and estates, points out that 50,000 people travel to London each working day on public transport, most of them by rail.

As an official monitor of the rail service, Mr Bell observes: "I think we are very fortunate. The network has good rolling stock and good lines." There are, of course, gripes from commuters about overcrowding, unreliability and timetables. More importantly, there may be a growing perception that things may be getting worse, simply because the success of rail commuting fills the trains.

In Hertfordshire, one-third of all workers commute and rail travel times to London are impressive: for example they run to London in 20 minutes off-peak and on-peak from Watford with six trains an hour during rush periods. From Stevenage the journey takes between 25-35 minutes with 12 trains an hour at the peak. The redevelopment of London' s Liverpool Street Station and rebuilding at Tottenham Hale station on the London Underground's Victoria Line will help Hertfordshire commuters.

Despite the four main lines fanning out through the county, from Liverpool Street (to East Anglia), Kings Cross (the North), St Pancras (the Midlands) and Euston (to West Midlands), the county's good commuting record will take some preserving in the face of falling use in a recession, tighter budgets, and competition from roads.

Thameslink, the north-south route to London and beyond from Bedford, is a good illustration of some of the county's problems. A spokesman admits: "To some extent we have been a victim of our own success". Overcrowding is a particular problem which is being tackled and the line strives to ensure that no passenger has to stand for more than 20 minutes.

While several developments are in the pipeline to improve the service, such as the arrival of 26 new trains for the route, the spokesman adds: "Times are hard and the money is just not available to spend. Nobody has an unending pot of money."

The county council has contributed to the refurbishment of stations and the establishment of new ones. As Mr Bell remarks, "we have to tackle the car". The promotion of public transport is a priority and, as well as rail, the council is involved in monitoring and encouraging the bus network.

The county's bus service is "patchy", according to Mr Bell, but should improve with the take-over of London Country NW by Luton and District, giving half the county a single operator. In another development, Eastern National are expanding in the Bishop Stortford area – no doubt in anticipation of the further growth of Stansted Airport.

The county council is trying to encourage bus routes to plug gaps in the complex transport network between the county's 26 towns. A further difficulty is the lack of good east-west roads on the network. But, adds Mr Bell: "Deregulation, frankly has not helped."

The car, cast as the villain of the piece, took a starring role in the recent report from Serplan (London and South East Regional Planning Conference Congestion) which called for improvements in public transport and restraints on cars.

Representing all the planning authorities in the region, including Hertfordshire, Serplan says that overcrowding on the roads and over-development in the countryside has to be tackled so that the region could become "the cutting edge" of the economy in 1992.

The report, which represents the dilamma before the government in a free market economy in a period of growth, is with Mr Chris Patten, the environment secretary, and if approved will provide a planning blueprint for the region.

While the recession lasts, Hertfordshire may be able to avoid reaching the point where the county's perceived transport attractions tip over the fulcrum and become its liabilities. The report calls for mass transit ahead of the car and investment in public transport; both may be difficult to meet. Capacity limits in the so-called "over-heated" areas may be easier to achieve.

But when the economy recovers, Hertfordshire's transport network will again have to brace itself for the strain of growth.

The M11: on some stretches traffic flow can reach 150,000 vehicles per hour

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Cheshunt Building Society is ranked 35 in the building societies league table, with total assets currently in excess of £410 million (£360 million December 1989). It is the oldest and largest building society in Hertfordshire (established in 1861). Although Cheshunt operates principally in Hertfordshire, Essex, North and East London it will lend on the security of properties throughout England and Wales. Cheshunt has established 19 branch outlets in its area of operation. Branch offices are supplemented by an agency network within the principal area of operation and there are 26 outlets in total.

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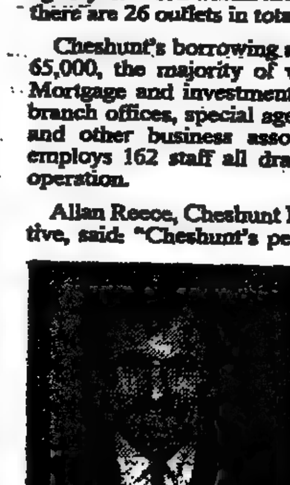

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PROFILE: British Aerospace

A powerful marketing weapon

BRITISH Aerospace's long association with Hertfordshire and its high profile mean that it is often seen as a major force in the county's economy.

However, the BAe companies in the county do not figure large in the group's overall employment or turnover totals. BAe employs 132,000 people worldwide; group turnover (including Rover and Royal Ordnance) was £9bn in 1989. The companies in Hertfordshire, although part of larger, more widely-spread divisions, employed just over 11,000 people directly in the county, and accounted for turnover of more than over £2bn in 1989.

There is no compelling reason why the three BAe units should remain in Hertfordshire, but equally, there is no reason why they should leave. The land was bought cheaply; the marketing arms of the companies are close to London and the Ministry of Defence; and, above all, a body of skilled labour has been built up which would probably not be available elsewhere. At a time when UK defence spending is on the decline, stable workforces are important.

BAe has been in Hertfordshire since the 1930s when the de Havilland company, feeling crowded in its plant in Edgware, bought an airfield in Hatfield.

De Havilland was incorporated into Hawker Siddeley Aviation in 1960. Hawker Siddeley Aviation was nationalised in 1977, along with British Aircraft Corporation, Hawker Siddeley Dynamics and Scottish Aviation, to form state-owned British Aerospace. In turn, BAe was privatised in two stages, in 1981 and 1985.

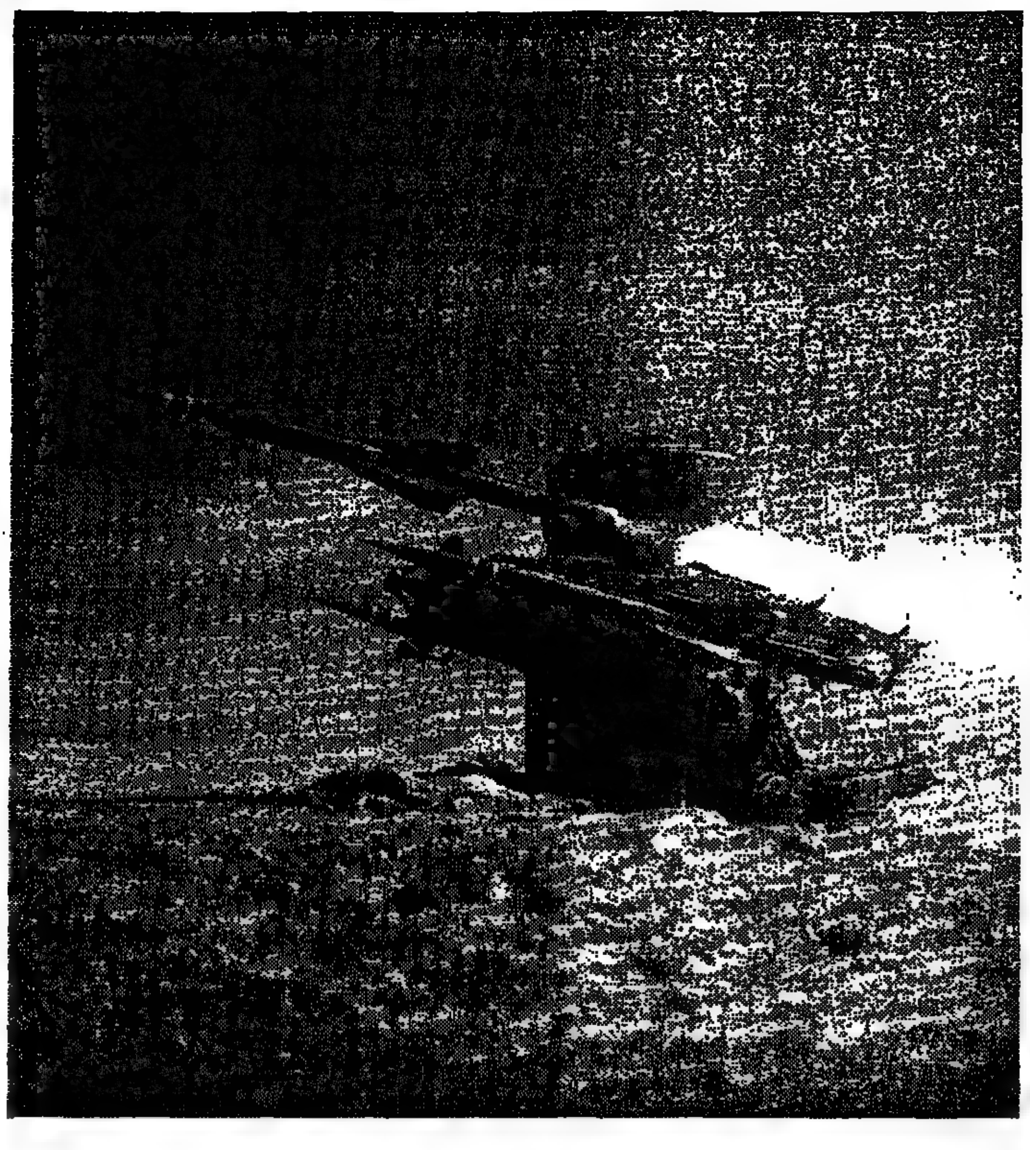
BAe's civil aviation division now employs 20,000 at seven sites in the UK: Prestwick in Scotland, Chadderton, Chester, Filton, Woodford and Hatfield, where the company employs 4,500 people on an 800-acre site. Main work at Hatfield includes the BAe 146 regional jet airliner, which comes in three sizes offering seating for between 70 and 122 passengers.

The highly successful BAe 125 business jet has also been produced at Hatfield; altogether, some 750 aircraft have been delivered to customers in 40 countries. BAe at Hatfield has also maintained a continuous involvement in the Airbus family of airliners.

Also at Hatfield is a marketing division which is involved in selling other aircraft, including the Jetstream 31 (made at Prestwick) and the Advanced Turboprop (assembled at Woodford and Chadderton).

The other two BAe companies in Hertfordshire are BAe Space and BAe Dynamics at Stevenage. The space division grew out of the company's involvement with intercontinental ballistic missile projects, such as Blue Streak, but now concentrates on communications satellites. Current projects include five first-generation European Communications Satellites, four Inmarsat satellites for the International Maritime Satellite Organisation, three Skynet 4 military communications satellites for the UK Ministry of Defence and two Nato IV military communications satellites.

Employing 1,600 people, BAe space is also a partner with Matra Espace of France in Satcom International, which has been marketing the medium-sized EuroStar platform. The company is looking to expend in the areas of communications services, satellite news and business news.


BAe has sold some £4bn worth of Rapier surface-to-air missiles

By contrast, BAe (Dynamics) at Hatfield has seen considerable upheaval in recent years; once employing 11,500 people, the workforce has been slimmed to 5,200. Turnover is around £700m.

Dynamics now concentrates on guided weapons systems for the UK armed forces. These include ground-launched weapons such as the Rapier family of anti-aircraft missiles and a range of anti-armour systems.

Some £4bn worth of Rapiers have been sold. The system has been sold to a dozen overseas countries and protects RAF airfields and United States Air Force bases in the UK.

Air-launched weapons include the Sky Flash medium range missile which equips the Tornado interceptor. BAe (Dynamics) is also developing the Air-Launched Anti-Radar Missile (Alarm), an advanced defence suppression missile for use against enemy radars.

In addition to guided missile systems, BAe (Dynamics) produces a range of aerospace and defence electronics equipment for which BAe Systems and Equipment (Base) handles the marketing. Base is responsible for avionics, communications, underwater systems, weapon control, actuation and sensors, advanced materials and mechanical products, military electronics and electronic warfare and security systems.

Stewart Dalby

EDUCATION AND TRAINING

Initiatives to beat the skills shortage

IN MANY ways, the modern British classroom originated in Hertfordshire during the pioneering days after 1945, when London went north to green fields and new towns.

The 50 per cent increase in population between 1931-51 sparked the need for 175 new schools in 15 years. The then Education Officer, Mr John Newsom, and his architect, Mr Stirrat Johnson-Marshall (later chief architect at the Ministry of Education) set the pattern.

The method they chose was so fundamental that it is extraordinary to think it had to be invented at all: while the classrooms were painted in primary colours, the furniture was scaled down to fit the children in bright, open rooms.

A tradition of innovation is now part of the education system in the county at primary, secondary and tertiary levels. The latest movement is as fundamental as the efforts of the pioneers: collaboration with industry is the theme.

Hertfordshire is in the midst of the biggest upheaval in further education in Britain – the merger of its 10 colleges into four new bodies designed to meet the needs of a high-tech county suffering an acute skills shortage.

Dr Al Rainnie, director of the Local Economy Research Unit at Hatfield Polytechnic, paints a graphic picture of the county's recruitment difficulties. With 96 per cent of Hertfordshire enterprises employing less than 25 people, the ability of employers to overcome perceived skills shortages is acute. 'Poaching' in many sectors has led to a local wage spiral which does nothing to improve the local economy's skills base.

With 4 per cent unemployment and 10,000 out of work for more than six months, there are 18,000 vacancies in the office, retail and high technology sectors, all demanding new skills.

The interface between the skills shortage and the people with potential skills is the Training and Enterprise Council (TEC). Managing director, Mr Chris Wright, says: "What we are trying to do is pursue a policy of working in partnership."

Working as "enablers" in the community in close association with the county council, several initiatives have flown from the realisation, backed up by market research, that many local businessmen were confused about the schemes available and their goals. Now targets have been agreed with the help of the county council, including work placement for all 15-16 year old pupils.

Small Business Market Classes, run jointly with the local Institute of Directors, aim to fill one need and a Business Lifeline will provide an on-line counselling service. Mr Wright points out that the TEC had to accept that in the present economic conditions many businessmen were interested, bluntly, in survival.

The TEC has an Enterprise Portfolio of £2m, but most is taken up by the Enterprise Allowance Scheme, leaving £600,000 for further work. Mr Wright was encouraged by comments in the chancellor's Autumn Statement on greater flexibility for TECs.

A Development Charter for local companies on training and a Business Award Scheme are another two schemes under way alongside the Training and Enterprise Network, a labour market intelligence forum.

Perhaps the TEC's most significant success came with an advertisement in local newspapers asking women if they wanted to take part in a Back to Work training scheme: 170 women (some of whom had been out of paid work for 16 years) applied for the first 25 places. The scheme, which is to expand to a 500-place programme, is the largest run by any of the UK's 82 TECs and has attracted 3,000 enquiries.

Asked what many businessmen are doing wrong in the training field, Mr Wright is straightforward: "lots of people are not doing it all." But Mr Wright believes that the TEC, "energised" by its move away from the public sector, can help. He points to the strong "business dimension" provided by the controlling board.

Nor is the TEC's work exclusively for the highly-skilled in a high-tech market. The Action Trust has been hired to provide a study into long-term unemployment in Hertfordshire at a cost of £50,000. Local firms are being encouraged to practice equal opportunities, provide crèches and flexible hours. In Berkhamstead, the TEC has enabled a group of small companies to pool resources for a day care centre.

There are 18,000 vacancies in the office, retail and high-tech sectors

There is also an emphasis on support for links between education and industry. Schools have access to a £50,000 fund for training schemes with industries that have a proven track record. "We are trying to achieve maximum leverage", says Mr Wright.

In further education, a massive restructuring is underway. Mr John Evans, principal assistant education officer for further and higher education, says: "What we have wanted to ensure in the county is that we have got colleges that service the needs of the local communities, business and public, and others."

A review of the county's further education found that it was geared to 16-19 year olds. The perceived need was for adult training, retraining, technical skills and skills updating. "We needed larger institutions with a larger resource base", says Mr Evans.

The 10 former colleges, which will preserve their individual strengths such as Watford Technical College's printing technology or North Herts College's business studies programme, are to merge into four new institutions. New governing bodies will have a strong business input: members include Hertfordshire TEC, Tesco, Glaxo, John Lewis, Midland Bank, BAe,the travel agents' association Abta, and the National Farmers Union.

Within the colleges there is a growing tradition of partnership with industry and it is commonplace for the Department of Trade and Industry to match investment in training and equipment on a pound-for-pound basis.

"This is about improving the skills base for Hertfordshire", says Mr Evans. It is a strongly practical programme and 60,000 of the county's 70,000 students in further education are part-time. New investment will bolster the new institutions and £12m is being spent on the Watford College Rationalisation project alone.

Europe will also play its part in the pattern of further education. The European Social Fund is providing a £300,000 grant for the training of women and those returning to work, and the '1992 dimension' forms an important part of many courses.

Hatfield Polytechnic, now independent, has 5,000 students and six faculties, and aims to reflect the needs of industry in its undergraduate courses. It also sells its expertise to local companies, both in the form of consultancy and short courses.

The short courses are tailored to meet the demands of employers: such as stress engineering for BAe, software engineering and microprocessing courses at Marconi and a staff management programme for supermarket chain Tesco, which has its headquarters in the county.

Mr Malcolm Instone, deputy to the chief education officer, says that while it will be difficult for the county to maintain its reputation for thrusting initiative within a national education system, he hopes that it will still be able to exercise expertise as a pioneer.

The county was a pilot authority for the national Technical and Vocational Initiative, which has blossomed in an individual form as the Hytec project at a former Stevenage infant school which has been transformed into a "simulated manufacturing company". Some 1,000 county sixth-formers alone pass through Hytec each year and spend one week role-playing in the production sector.

Another local success is HATS, the Hertfordshire Action on Teacher Supply Project. Funded jointly with British Petroleum, the project was designed to seek out and counsel those in industry who might wish to teach. The key sectors were mathematics, science and craft design and technology. A 120 mature instructors have now moved over from industry and the project has evolved into the government's licenced teaching programme.

The Hertfordshire Engineering Education Project provides problem solving experience for young engineers and now operates on a tripartite basis with projects in Germany and France; input from Denmark and Portugal may be added in the near future.

Despite the current fashion for linking education with the practical world of industry and production, Mr Instone is careful to stress that primary and secondary education in the county is still "pre-vocational" and that there are dangers in early specialisation. The aim is still to produce children with a broad education.

Mr Instone's believes that post-education reform Hertfordshire can allow schools an autonomous role while still providing an umbrella of influence. A new partnership should preserve the "distinctive character and reputation" of the county: "We want to take intitiavtives – we want to continue to be pro-active."

Jim Kelly

Glaxo, Roche and SmithKline Beecham all have a presence in the county

Green image suits drug companies

IT WOULD be nice to think that the concentration of pharmaceutical and healthcare companies in Hertfordshire arises from a desire to be in a benign environment.

As an official history of the Roche Group says: "The Roche company of the 1930s and Welwyn Garden City were, it would seem, made for each other. The company was becoming increasingly successful in an innovative and expanding industry; the Garden City was the practical embodiment of a bold idealism, breaking away from the satanic factories and the sprawling slums spawned by the industrial revolution and creating instead, a pleasant, modern setting with plenty of space, light and air, for people to live in and work."

At a time when health and environmental issues are becoming increasingly important, it is appropriate that pharmaceutical concerns should be located in a spacious, clean setting.

But the fact that there is a cluster of health care companies in Hertfordshire owes as much to accident as design. The Roche history goes on to say:

"Hertfordshire, together with the Thames Valley, were the first relocation sites away from an increasingly dirty and overcrowded London. The Garden City authorities in the 1930s and the new town leaders in the 1940s and 1950s were keen to attract companies and people into what were then empty acres – especially if the companies were 'green' and therefore compatible with the philosophy of environmentally-friendly industry."

For the pharmaceutical companies, the proximity of London and Cambridge University and the fact that other pharmaceutical companies are nearby are equally compelling reasons to stay in the county.

The presence of a number of similar companies encourages labour mobility and means that wages tend to be bidded up.

Some 17 pharmaceutical companies have a presence in Hertfordshire. Merck Sharp and Dohme (MSD), Glaxo, SmithKline Beecham and Bristol Myers have a significant representation in the county.

For Glaxo, the fact that Hertfordshire is between three universities (Oxford, Cambridge and London) is important. The bulk of the company's production is in the north of England and Scotland, but Glaxo is currently consolidating its research activities in a £500m investment on a 70-acre site in Stevenage. The company still has staff in Ware and elsewhere in the south-east, but some 1,200 biologists and chemists will be employed at Stevenage. Together with local staff, Glaxo will employ more than 2,000 people in Hertfordshire.

"We need to be near London because that is where the marketing is done, but we also have a close relationship with Cambridge", says company spokesman, Mr Anthony Connelly. There are joint research programmes and many graduates are recruited from Cambridge.

The Roche group also values the closeness to London. The company first acquired a six acre site on a 999-year lease in Welwyn Garden City in the 1930s.

The company employs around 850 people in Welwyn and has a turnover in the UK of around £200m. Although described as a pharmaceutical company, the bulk of Roche's UK turnover comes from the sale of vitamins and other consumer health products. However, it does have two current drugs which are selling well, the anti-arthritic Mobiflex and and the anti-Parkinson's Disease drug Madopar.

Given that Roche exports a lot of its products, there is some concern that Britain's entry into the exchange rate mechanism of the European Monetary System will bring pressure on margins.

There is no suggestion, though, that the company will move away from Hertfordshire. As with Glaxo, proximity to London is important. There is co-operation with Cambridge University and a major research programme into an anti-Aids vaccine.

Like other drugs companies, Roche spends around 15 per cent of its revenues on research and development. Much of the company's production is carried out at at a plant in Scotland, so there is no pressure to expand in Hertfordshire.

If there is a problem, it is that high house prices have made it difficult to recruit graduate scientists.

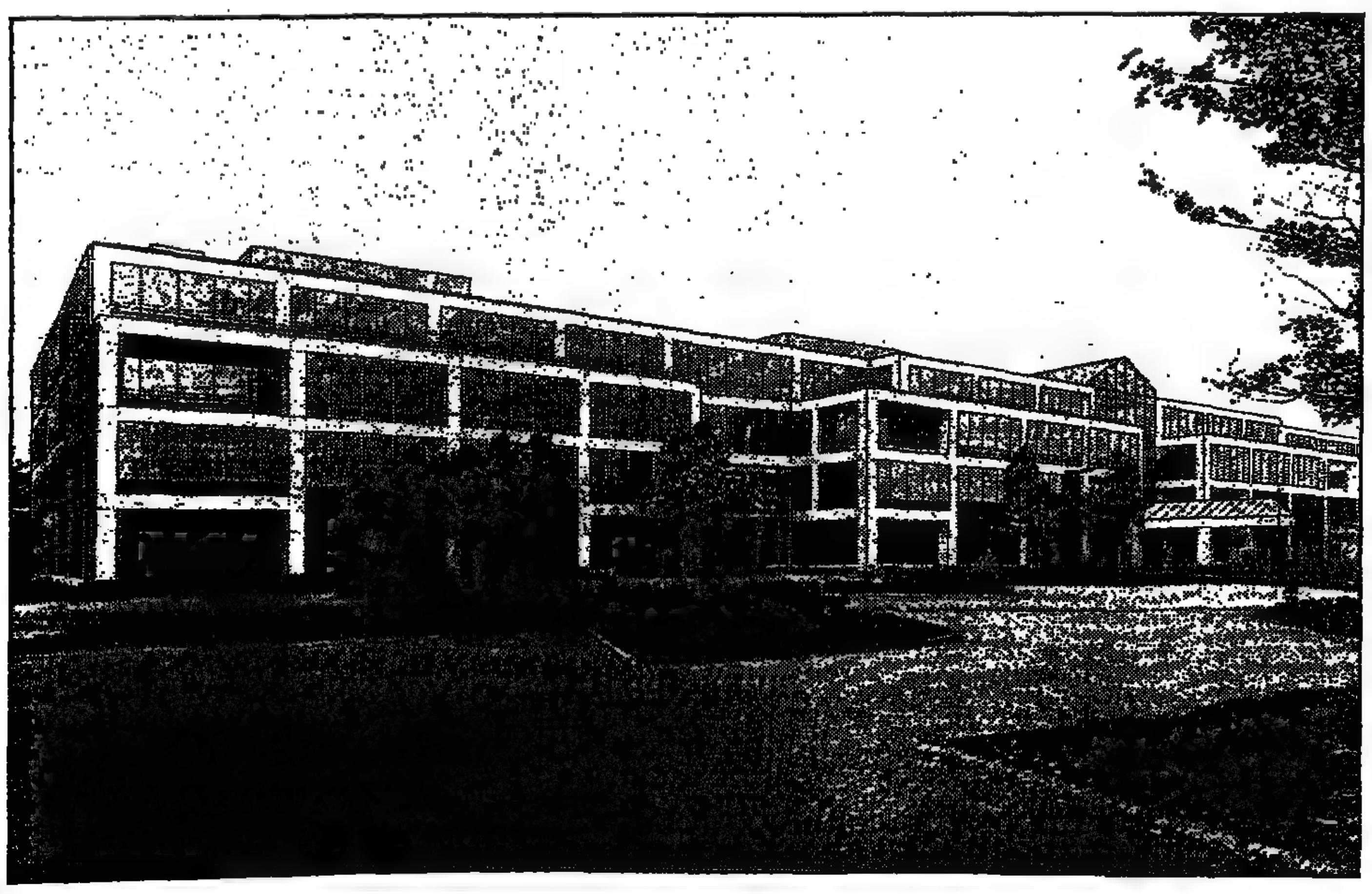
SmithKline Beecham's chief executive, Mr Stewart Siddall, says it makes sense for pharmaceutical companies to merge and grow because of the high costs and the time consumed in developing new products. It can take 12 years and £100m to develop a new drug.

Pharmaceutical drugs account for some 51 per cent of SKB's world-wide turnover. In the past SKB has done well out of its Tagamet anti-arthritic drug, but this can now be produced generically, and SKB, like other companies, is researching new products.

SKB employs over 1,000 people in Hertfordshire, with Welwyn Garden City the main centre.

Although some production has been relocated to the old Beecham plant in Crawley, West Sussex, the company plans to stay in Hertfordshire.

Stewart Dalby



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Sun Alliance developing for the future

Analysts argue that the county faces oversupply, writes **Jim Kelly**

Recession hits property market

THOMAS Malthus, who pointed out the disparity between the geometric growth of population and the arithmetic growth of food supply, would have found an application for his theories in Hertfordshire's property sector.

Malthus, as a late 18th century economist at the East India College at Haileybury outside Hertford, would have looked out across the green fields of this rolling home county.

During the last decade, those open spaces have been threatened by an overheating local economy. The growth of economic activity has been geometric: land supply is arithmetic at best.

The depth and length of the current recession are crucial to future property development and values.

Dr Al Rainnie, director of the Local Economy Research Unit at Hatfield Polytechnic, says that it could be argued that the county faces oversupply. Light industrial and office development are vulnerable, says Dr Rainnie: "B1 (office building) is springing up all over the county. The landscape is going to be littered with steel dinosaurs. Historically in a recession Hertfordshire has gone in late and come out early. A considerable number of people believe it may be different this time around".

Dr Rainnie believes the local economy is on a cusp, creating a nightmarish situation for planners who must decide if office development is going to soar into oversupply or be the economic saviour.

There is also a contradiction between rising unemployment and the perceived skills shortage which has already led to some outward investment.

While many developers continue to paint a bullish picture of Hertfordshire's land value potential, the Local Economy Research Unit identifies some cause for concern. First, the reliance on defence industries; second, the global restructuring of the pharmaceutical industry; third, in the recession in computing; and lastly, the high cost of housing, which is proving a barrier to attracting skills.

Dr Rainnie says there is also evidence that London problems, such as house prices and travel times, have migrated out to the county, along with those companies which have relocated.

This, he says, may prompt a further phase of relocation.

The recession, in the housing market at least, has taken some of the steam out of the overheating machine. Mr Adam Sanders, of William H Brown in Ware, says that in 1988 a three bedroomed semi-detached house would have cost £120,000 in Ware; it would now command £95,000.

"We do not think the prices are likely to rise for at least another nine months – and there is still going to be some movement downwards", says Mr Sanders.

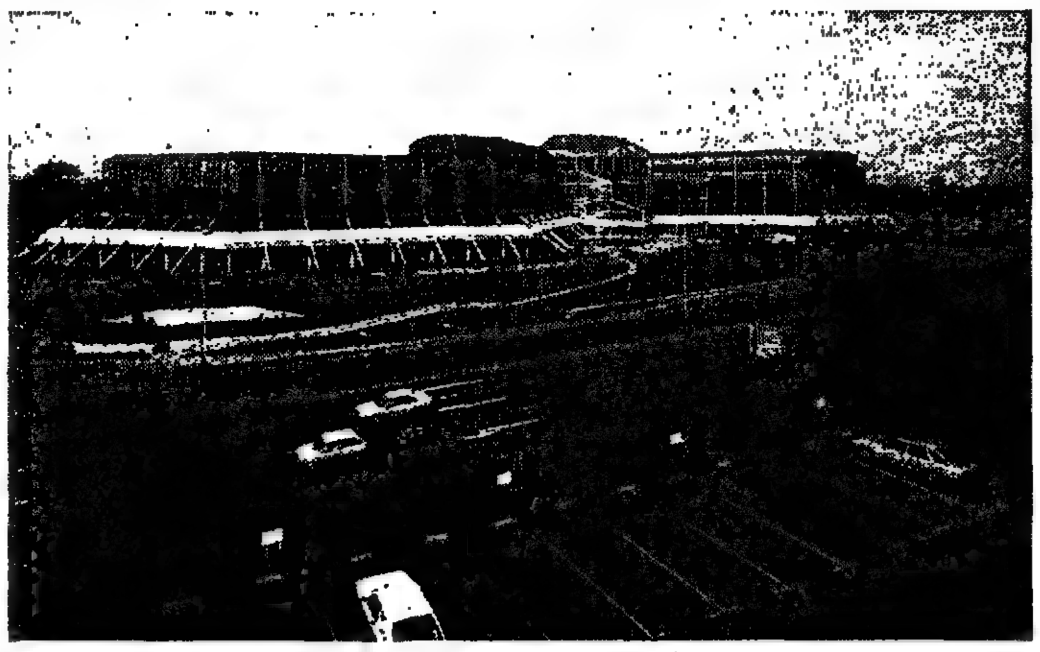
He points to a 25-30 per cent reduction from the peak of the market.

The upper end of the market in the county, priced at above £400,000 with an acre and a half of land, has dipped by 20 per cent.

At the lower end of the market, studio flats in good locations have dropped from £62,000 to around £45,000.

The cheaper areas for housing are, predictably, in the north of the county away from the London fringe and in the new towns like Stevenage, where a three-bedroomed ex-corporation property can cost £55,000. Mr Sanders finds Hertfordshire prices particularly sensitive to commuting costs.

During the last increase in oil prices in the mid-1970s, the value of village properties was depressed by the increased cost of petrol and the running costs for oil fired central heating.



Confederation Life's new headquarters in Stevenage: office development has continued

Healey and Baker, the London-based international real estate consultants, have monitored the commercial property sector in the county and are involved in several schemes. Mr Justin Taylor, a partner, says: "Basically it's a boom county in terms of all sectors of the commercial market."

Hertfordshire has several major retail schemes including the Harlequin Centre at Watford, the Marlowes Centre in Hemel Hempstead, the Howard Centre in Welwyn Garden City and the Gallerias at Hatfield – a development built over the new A1(M) tunnel and concentrating on value added goods in a development without a major anchor store.

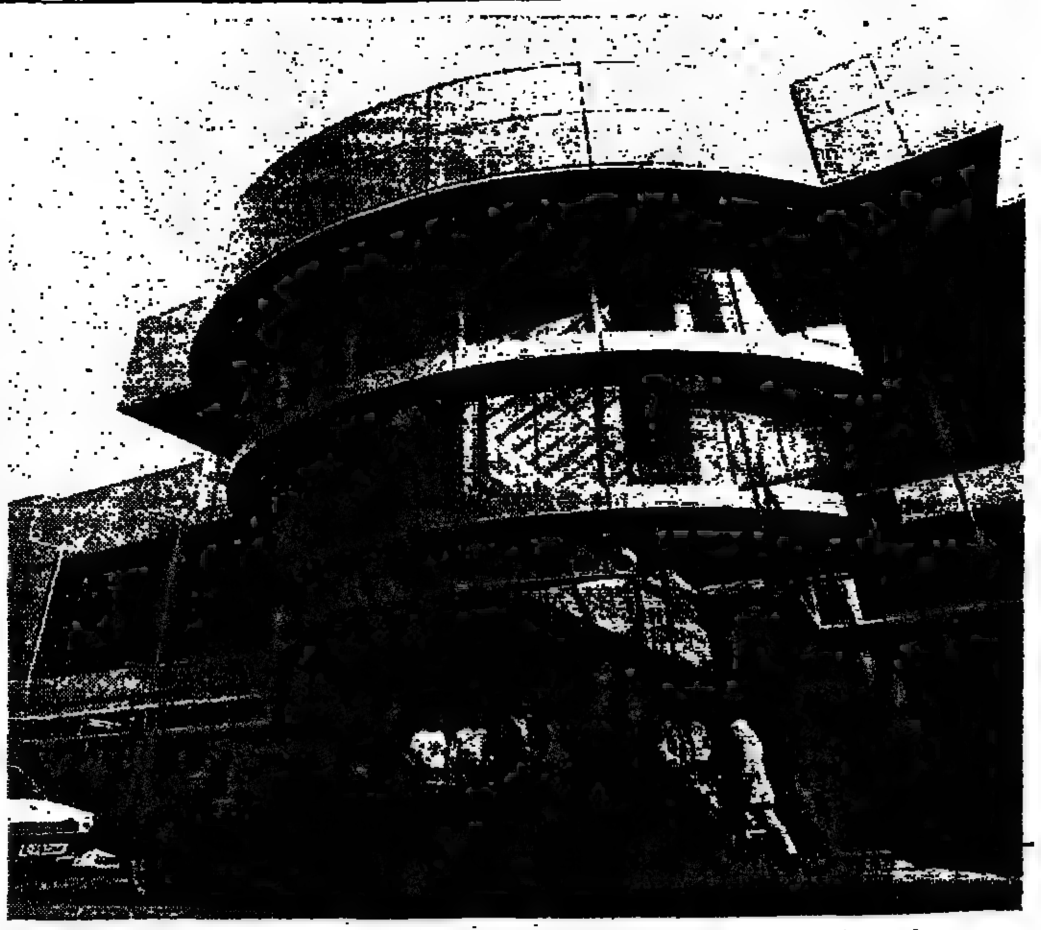
The boom has been fuelled by the economic growth since 1985 and in spite of the fact that growth in rents slowed down in 1990, and are likely to slow until late in 1991, Mr Taylor predicts solid growth in the next five year rent period.

"My view is that the schemes up and running have demand and will be let fully", he says, although he accepts that others in the pipeline may have to be mothballed.

"You are going to see a marked slow-down for two years in shopping centres", he predicts, but he sees potential in smaller scale developments in areas such as Stevenage.

The Harlequins at Watford is the largest in-town shopping centre currently under construction in the UK. The 750,000 sq ft development contains John Lewis, Marks & Spencer, British Home Stores, Boots and Littlewoods.

The zone A rates in Watford are around £150: in Hemel Hempstead around £100, while Healey and Baker claim a new rental high of £50 zone A in Chesham.



The Marlowes shopping centre, Hemel Hempstead: retail development has been 'remarkable'

Mr Terry Betts, head of planning at Hertfordshire County Council, says that the key factor in land and planning in the region is the green belt: 45 per cent of the county falls within its boundaries.

There is also an area of Outstanding Natural Beauty in the Chiltern Hills.

"Conservative central planners have taken a very black and white attitude" to green belt applications, says Mr Betts. And, in spite of the tightness of land, there is still room for development in the north and east of the county.

While office development has continued across the county it is the growth in retail development that Mr Betts believes to be "remarkable", adding that "it is problematical what will happen when they are completed".

The completion of the M25 provided the opportunity for major out-of-town shopping developments and several projects so far failed.

On the other hand the office, B1 developments underconstruction and in the pipeline seem to be outstripping council forecasts for population and economic growth. At present office rents in, say, Borehamwood, are running at about £20 per sq foot, in Rickmansworth at £27.

The county council's own handbook provides a fitting warning to developers who might see a short recession as an opportunity for later growth. "Only the application of a firm development policy, charting an intricate course between the conflicting needs of the community has prevented the county from being overrun in the rush to build", it notes.

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London's third airport prepares for take-off

Stansted: gateway to the future?

WHILE many commentators still doubt Stansted Airport's ability to get off the ground, there is a growing awareness that a gathering momentum is about to lift the enterprise into flight.

Two new cards, both played within the last month, have significantly bolstered Stansted's putative role as London's third airport.

The effect of that metamorphosis on Hertfordshire, which skirts the apron of the Essex airport, is sure to be fundamental.

Air UK, Britain's third-largest scheduled airline and Stansted's pioneer operator, has announced plans to expand its operations to coincide with the opening of the £400m new terminal and rail link.

The privately owned carrier, in which KLM Royal Dutch Airlines has a 14.9 per cent stake, hopes the expansion at Stansted will attract 400,000 additional passengers in 1991 on to its domestic and international routes operated by BAe 146 short-haul jets. At the moment, Air UK carries 200,000 passengers a year through Stansted, representing 10 per cent of its activity.

Mr Andrew Gray, managing director of Air UK, has said: "It is the principal objective of Air UK to position itself as the short-haul business carrier at Stansted serving business centres both in the UK and Europe."

While some estimates of passenger growth at Stansted are significantly lower than Air UK's, the carrier insists its predictions are based on forecasts extrapolated from current market share figures.

Mr Gray says: "We have been here for some time and we are bullish about the future of what is a very fine airport. The train link is of paramount importance, especially to the business travel market."

The second card was played by American Airlines. A spokesman has confirmed that the airline, which has 500 aircraft and operates 18 routes in seven European countries, is seeking a licence to operate between New York and Stansted.

At the moment, under the so-called Bermuda 2 agreement, two US and two UK airlines are designated by each country to fly between the three London airports and New York's La Guardia, Kennedy and Newark. Newark has been excepted to allow Continental Airlines to fly to Gatwick. American's move opens up the possibility of an exception on this side of the Atlantic.

Meanwhile, the complex network of inter-related air carrier agreements is in a state of flux. A new, more pressing, timetable for change has been precipitated by Pan American's sale for $400m of its North Atlantic rights into Heathrow to United Airlines. While a review of traffic distribution at Gatwick, Heathrow, and Stansted continues, along with the setting up of working party on extra runway provision, the European Commission is reviewing its competition policy.

This tumult, brought into focus by United's attempt to get into Heathrow by the back door, will bring about a re-writing of the rules which could fundamentally affect the future of Stansted. The government may be tempted to offer some form of inducement to carriers to use the third airport. As Mr Gray says: "We are looking to Stansted to develop as an airport, therefore we would certainly like to see an inter-continental operation. The government have to consider the pros and cons but we would like to see them encourage growth at Stansted."

There are worries about the effect on the region's traffic network

Mr Eric Lomas, managing director of Stansted Airport, agrees: "I would like the support of the government to enable Stansted to have a transatlantic service. American Airlines has made a vote of confidence in Stansted Airport." Mr Lomas believes such confidence brings the airport close to achieving the "critical mass" required for long-term success.

While the future can only be forecast, the reality of development at Stansted is impressive. Stansted, owned by the BAA (formerly British Airports Authority), was designated as London's third airport in the June 1985 White Paper. It has outline planning permission to grow to 15m passengers per annum, although the current target is 8m.

Some 25 per cent of passenger totals are scheduled, with carriers like Air UK, Air France, and Ryanair. The largest growth area is inclusive tour holidays, with 70 operators using the airport, with 300,000 passengers carried in the summer of 1990.

The airport's new £400m, 180 sq metre terminal, which opens next spring, is the most visible symbol of confidence in Stansted. It is on one level and, with a flash of sanity unusual in airport architecture, it is designed for ease of use. Incoming and outgoing passengers do not mix and a direct rail link will run from the building to London's Liverpool Street rail station. Three hundred acres are available within the airport boundary for all the ancillary activities related to a major international airport. Mr Lomas thinks that the airport's accessibility and design will make it a favourite with travellers.

Stansted's £400m new terminal

On the issue of a further airport runway at Stansted, Mr Lomas believes that there is time for a considered decision. The need for a new runway in the region lies in the next century and the decision should therefore be made by the mid-decade. "We have got the time for a considered and detailed study of the issues."

Stansted's image problem is also being attacked with vigour and, notably, a series of TV advertisements. "Six months or a year ago I would have agreed with you about the problem but not now", says Mr Lomas.

"Between now and 1996-97 we plan to grow to 8m passengers. I am encouraged that I have achieved my first year's operation." The first long-term target is 25m passengers off the one runway. A second terminal is envisaged in the context of the "phenomenal growth" in south-east traffic levels from 70m to 120m.

The recession has taken the buoyancy out of the tour trade. Remarking on the downturn, Mr Lomas says: "I have been pleased that this has been less than the average." While the leisure market will be a key sector for Stansted for some time, Mr Lomas notes that Gatwick took 20 years to reach a fifty-fifty split with the scheduled market. "I want to do it in less."

On development, Mr Lomas points out that the airport site is 1.5 times as large as Gatwick. He is confident that ancillary building can be contained, such as the current heavy jet facility, industrial site, and the second major in-flight catering operation which has introduced competition into the airport.

The continued growth of Stansted has been watched with trepidation by both Hertfordshire and Essex County Councils. They are seeking to channel housing to well-defined locations and economic development for the most part to largely well-established employment areas.

For Hertfordshire, the key stress areas are the infrastructures of towns such as Bishops Stortford, in the east of the county, which already faces considerable traffic congestion.

While the huge economic benefits to the local economy of a development of Stansted's potential are recognised, there are also worries about the ability of the region's traffic network to deal with further expansion and cater for commuter needs. The completion of the M25, the new bridge over the Thames at Dartford and the Channel Tunnel will create a potent network of developments.

Although Stansted promises to contain direct and related development, Mr Norman Mead, general secretary of the Northwest Essex and East Herts Preservation Association says that there are fears that "airport induced" growth will spill over into the countryside. He insists that there is still a wide and vociferous lobby against growth beyond 8m passengers at Stansted.

Despite the reservations, there is now a considerable development momentum behind Stansted: it is moving rapidly towards making a reality of the title of London's third airport.

Jim Kelly

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هكذا من الأصل

ARTS

When fiction could not match the passion on the Westminster stage: characters from 'Capital City', 'House of Cards' — and Mrs Thatcher

TELEVISION

The barbican unbowed by the Thatcher years

In the whole history of television publicity there cannot, surely, have been a more elaborate stunt than this: BBC1 produces a splendidly contumelious political drama called *House Of Cards*, set in the immediate aftermath of Margaret Thatcher's premiership, and in the very week it comes on air, sure enough, Mrs Thatcher is forced to resign. How on earth did the BBC persuade the Tories to co-operate? The only trouble is that the bickering and back-stabbing among the real politicians is much too melodramatic: though Andrew Davies' adaptation of Michael Dibbs' story is masterly, it cannot begin to match the passion and spite of the play on the Westminster boards.

★

Observers overseas sometimes see the truth of a nation's situation more clearly than the citizens at home. Last week the *Wall Street Journal* declared that under Margaret Thatcher Britain's "political and literary cultures have been transformed by conservative ideas". Clearly the political culture has been radically altered, probably permanently — but our literary culture? In Britain it is difficult to think of many signs of such a transformation in the modern novel, poetry or drama. Even more striking, however, has been the failure of Thatcherism to transform television.

To some extent broadcasting organisations have been changed: their economics today are different from 1980, union practices have been revolutionised, and we have satellite broadcasting (for what it's worth). But the heartlands of programme-making continue to be dominated by the ideas of the 1960s. While Thatcherites have talked about the work ethic, duties, and responsibilities, television's current affairs and drama departments have continued to make programmes about "rights", feminism, and welfare statism.

Thatcher's followers have been concerned with wealth creators and the trickle-down process, believing that the best way to help the nation's poorest is by moving the entire society up the scale, so that although the differentials remain (or even increase) the poorest are still better off. That, anyway, has been the theory upon which Thatcherism has proceeded and, in the battle of ideas, has triumphed. Except in broadcasting.

No matter how many socialist states have crumbled Thatcherites have still turned on their televisions at home to find dramas, on both BBC and ITV, tugging at the heart-strings with awful stories of the privations of one-parent families, or current affairs programmes about the need to spend more public money on schools, hospitals, or prisons.

Whatever the rights and wrongs of the ideas, it is no surprise that the Thatcherites have become more and more hysterically angry at seeing television — unlike most newspapers, unlike politicians, unlike many Britons — so blithely unaffected by the new dominant ideology. The truth is that the programme makers' barbican has never been effectively attacked, let alone over-run by the Thatcherites. That may continue to be true even after the 1990 Broadcasting Act begins to have an effect. Do what you will to the structure and economics of television, you may still fail to alter or replace the people who enjoy making programmes.

★

Anyone who doubts this might try naming a single programme which could be described as "Thatcherite". *Capital City* seems (or, in its first series, seemed) to celebrate yuppiedom, but even that series never conveyed a proper understanding of Thatcherite ideology, it merely attributed greed vaguely to some of its characters. As for the current series, that is not Thatcherite at all. In the past 11 years just one series has sought to describe the ideas advanced by Hayek, Keith Joseph, the IEA and so on, which led to Britain's Thatcherite revolution: *The New Enlightenment*, produced by David Graham and Peter Clarke for Channel 4 in the autumn of 1986.

★

Of course there *have* been Thatcherite attacks on the programme makers. With the Broadcasting Standards Council due to begin public operations on January 1, 1991 this may be the moment to recall the opening sentence of the section "Supporting Family Life" in the Conservative Party manifesto of 1983: "It is not for the Government to try to dictate how men and women should organise their lives". What, then, is the purpose of the BSC?

★

Television's greatest advantage as a news medium is also its greatest bugbear: instantaneousness. Newspapers have been bad enough in the coverage of the Conservative leadership melodrama: the overkill has often been absurd, with many broadsheet newspapers producing more words in one day than any normal reader could ingest in a fortnight. But at least papers have 24 hours to reflect and select, and anyway readers can always turn to the sports pages the minute they want to.

Television suffers from being able to show us what is happening at the moment. There is no time to reflect or select, so once a big story is running the editor becomes neurotic and sticks with it, just in case something else interesting happens ... just in case the opposition beats him to it. One night last week on BBC1's *Nine O'Clock News* Michael Buerk told us that the Heseltines had gone out to dinner. (Gosh!) Then we saw a filmed report showing them earlier in the evening *going* out to dinner. Then Buerk introduced a reporter stationed at that moment on the doorstep of the Heseltines' empty house to confirm that, yes, indeed, they *had gone* out to dinner.

History will probably prove that there have, so far, been no more than three memorable TV moments in this entire affair: Geoffrey Howe's Brutus speech in the House; Margaret Thatcher's sprint down the steps in Paris (helped by Bernard Ingham's strong-arming) to announce, without consultation, her intention to fight on; and that electrifying afternoon in the Commons when, with humour, repartee, and absolute mastery of the chamber, Mrs Thatcher flayed the hide off the Labour opposition at the lowest moment of her career.

It looks as though we may acquire a new Prime Minister just in time to start a shooting war in the Gulf. If, heaven forbid, it comes to that, the armed forces and the government will not have a hope of muzzling and bamboozling the world's broadcasters and newspapermen as they did in the Falklands. On that occasion the reporters' need for naval transport to reach the theatre of war and for military communications technology to send material home gave the forces the whip hand.

In the Middle East the situation will be much more reminiscent of Vietnam. One of the best war photographers to emerge from Vietnam was Tim Page who, as a teenager, took his motorcycle across the English Channel and rode overland to the front line where he set about learning to use a Nikon. In the Gulf it will be similarly difficult for the military to prevent reporters from swarming everywhere.

Some may, of course, get themselves killed, but there will also be pictures of the inevitable horrors of war which news teams will be satelliting back virtually, perhaps actually, in real time. If the Falklands created appalling problems over the attempted control and censorship of newsmen, the Gulf will be worse. It is probably no exaggeration to suggest that this is one of the main considerations holding back the allies: the reluctance within liberal democracies to have families sit in front of the evening news and watch their sons die in the desert.

★

How many people, I wonder, saw the opening titles to BBC1's Sunday lunchtime series about politics, *On The Record*, for the first time this week when the three candidates for the Conservative leadership were interviewed. They will not have been able to miss the silliness of the images: a Lego-like crocodile made out of the Big Ben tower lying on its side, just like one of those "transformer" toys, crawling across a cut-out map of Britain.

Such infantile stuff is the new fashion, it seems, in BBC current affairs. *Assignment*, the new series of foreign reports, begins each week with a picture of a cabin trunk which opens to release a skeleton on a bicycle, a clockwork helicopter, a toy robot on a pogo stick, a neon cowboy on a neon horse, and an Indonesian shadow puppet. What next — *Panorama* introduced by Postman Pat?

Christopher Dunkley

Two Salomes

WASHINGTON AND NEW YORK

The Washington Opera season opened with an uncommonly distinguished performance of *Salome*. The production, Peter Hall's, has already been seen and admired at Covent Garden, so all I need do is add my mite of fervent admiration for its accuracy and intelligence of vision, its beauty (decor by John Bury), and the dramatic force that stills all questioning and holds one spellbound.

In Washington it was staged by Jeannette Aster, who has worked closely with Hall, and it retained the three principals — Maria Ewing as Salome, Michael Devlin as John, and Ragnar Ulfung as Herod — who "created" the production in Los Angeles four years ago. Miss Ewing is rivetting: wonderful to look at, even more alluringly dressed and coiffed (to judge by photographs) than in the earlier shows, seductive and irresistible, and exciting in every move and gesture — wilful and yet innocent, with the candour of Strauss's "sixteen-year-old chaste virgin and oriental princess." At the close of the Dance she did not fudge the usual moment of nakedness but stood boldly, frontally nude, in bright light, triumphant. Her voice has grown. It rang out in the 2000-seat Kennedy Center house in a hundred subtle colours. It is not a conventional, even instrument, but something even more exciting: vocal and verbal communication that holds the audience intent on every turn of the drama.

Devlin is a Baptist worthy of his Salome, singing and comminating with kind of crazed, romantically beautiful fervour, and sexually exciting as few Baptists are — a gaunt, muscled-ivory figure clad only in what the editor *Opera* called a Jokanaan-strap. Ulfung, at the age of nearly 64, remains clarion-clear and incisive. Joyce Castle's rather coarse Herodias was the only provincial element. The smaller parts were all well played and well sung. Gerard Schwarz's conducting was impetuous but never intrusive.

Meanwhile the Met revived its Nikolaus Lehnhoff production of the opera, new last year, with Hildegard Behrens replacing Eva Marton in the title role. This was less exciting. Miss Behrens's voice has become a patchwork. She double-declutched to get from register to register, and many little notes got lost on the way. To put things ungallantly, she looked and sounded her age (which is somewhere in the mid-fifties).

Great Salomes need not be young by the calendar — Ljuba Welitch, Astrid Varnay, and Birgit Nilsson were not when I heard them — if by their voice and art they suggest the youthful princess. Miss Behrens suggested a careful, scrupulous singer doing her best. Gil Wechsler's lighting plot left her in shadow most of the time. Perhaps he intended to be tactful; but the dramatic effect was kin to that of muting the solo instrument in a concerto.

Ekkehard Wlaschiha's John, swathed from neck to ankle in flowing white robes, stood and delivered, stentorianly. Richard Cassilly, only months younger than Ulfung, seems similarly ageless, and his Herod was also powerful. Helga Dernesch's Herodias was shamelessly eye-catching and ear-catching as by large gestures and interpolated cackles and cries she drew attention away from whoever was singing.

I liked this production — set in the squalid boiler-room of a glittering New York palace — when it was new, but it has not worn well. Its eccentricities — and departures from Strauss's clear instructions — make their point only when the ensemble execution is sharply focussed. This time round, the stage around the principals seemed to filled with aspirant bit-part singers moving by the book, eyes on the conductor, eager to demonstrate the size of their voices. James Conlon conducted. (I went on a night when his mind was probably filled with his forthcoming *Semiramide*, by then in busy rehearsal.) The orchestral sound was of superior quality, but there was little excitement. *Salome* sounded strangely bland.

Andrew Porter

Maria Ewing: rivetting

Rossini & Mendelssohn

ROYAL FESTIVAL HALL

Opera in Concert, an enterprise that set itself up in business last year with a concert performance of Verdi's *Giovanna d'Arco*, presented the London Philharmonic Orchestra in Monday's non-operatic concert. It was for the most part wretchedly executed: under Jan Latham-Koenig (whose rehearsal period must surely have been cut to the absolute minimum) the reading of nine numbers from Mendelssohn's *Midsummer Night's Dream* music would have brought shame on a first-year college orchestra. Brass was raucous, woodwind intonation unreliable, strings were all over the place, and any hope of gossamer textures was soon laid to rest.

The same sort of damage was done, if perhaps less comprehensively, to the hardly less carefully achieved orchestral writing of Rossini's *Stabat mater*. Without the presence (well-schooled, occasionally curdled in soprano tone) of the Pro Musica Chorus and four interestingly chosen soloists, one would have fled the hall in despair not long after it had begun. Margaret Price and Della Jones, who had provided the few brief moments of pleasure in Mendelssohn, were both in thrillingly full, radiant voice, and here revealed as not just sovereign technicians but splendidly fine-tuned partners — one would love to hear them in a duet-recital.

Peter Rose was the bass, not Italianate in sound but grandly confident, authoritative and musicianly — he is a young singer who is developing admirably; Laurence Dale was the tenor, too often submerged by the orchestra in "Cujus animam", sensitive and elegant elsewhere. As a display of these four artists, the evening found its purpose. As a whole, it was dire.

Max Loppert

Kes

EVERYMAN STUDIO THEATRE, CHELTENHAM

One of the values of Youth Theatres is to give experience to young people, and the Everyman Youth Theatre has done well to produce a piece where 25 actors play 37 characters in its little studio theatre, holding 60 spectators. The evident aim, to show all the details of young Billy Casper's miserable life, accounts for the the abundant cast, and we spend much of the evening at classes in Billy's school.

The story we all liked so much in Barry Hines's book and the subsequent film depends on atmosphere rather than plot. Billy, a 16-year-old from a broken family, takes a young kestrel from the nest and trains it, borrowing a book on hawking at the local library. He has become very happy with his Kes, if not with much else, when, typically, he uses the money his brother Jud gives him for a couple of bets to buy chips. The bets unexpectedly come up and should have yielded £13. ("I could have taken a couple of days off work.") Jud's reaction, apt by local standards, is to ruin Billy's kestrel.

And that is it. It is deeply sad, because Hines has depicted the wretchedness of Billy's life so well. I cannot say the same of Foz Allan's adaptation, which spends too much energy on extraneous details, and retains more bad language than seems to me right in a play to be done, and mostly seen, by young people. As no other name is given, I assume he also did the decor, which sensibly is no more than a stage with a plain table and a gallery where the (stuffed) kestrel lives. Why there should then be a television set at each end of the gallery, showing unrelated pictures, is a mystery, unless it's just another clue to Yorkshire life in 1966. Allan's direction certainly fulfils the proper function of giving the young company plenty to do, and drilling them to do it as he intends. There is only one real acting part, Billy's, and it is effectively played by 14-year-old Murray Andrews, who incidentally uses his hands cleverly, whether he knows it or not.

B.A. Young

Arditti Quartet

ST JOHN'S, SMITH SQUARE/RADIO 3

Aficionados of contemporary music know very well that the Arditti players have become master-exponents of Elliott Carter's string quartets; but it's only those same aficionados who hold Carter's "difficult" music in such high esteem that masterly interpretation of it should seem important.

In Monday's BBC lunchtime recital, however, the sustained, generous audience-response to the Arditti performance of his First Quartet sounded — even on the radio — like a breakthrough: like an audience who had just been persuaded that a very long, intricate and "difficult" work wielded both a tough dramatic grip and a potent expressive range.

Those of us who were thunderstruck by this Quartet, back in the late 1950s, could feel justified. Few of us knew then that its most extraordinary feature, its so-called "metrical modulation", which opened up dizzying new possibilities of rhythmic counterpoint among independent voices, had been tried out in a couple of other Carter pieces already; the Quartet seemed to arrive like a revelation from no known place. And for a long time, when the occasional intrepid quartet essayed it *accurate* fulfillment of the score's fearsome demands seemed virtue enough — nothing less than that could make its radical originality audible, and anything much more seemed unnecessary and probably unfeasible.

Over years of studied exposition, however, the Arditti's technical prowess has allowed them not only to master the fantastic (though strictly musical) complexity of Carter's part-writing, but to honour his knotty, rangy lyricism too. In a performance like this it becomes omnipresent — from the grand cello-cadenza at the start to the answering one for violin at the close, through the stark first-movement polyphony, the *scorrevole* witchery and the visionary Adagio (Ives, Berlioz) to the final, steel-sprung Variations.

The Arditti delivered it all like the sovereign musicians they are, rising above small technical skids to bear confident witness to a treasure: the first great quartet after Bartók. It was a joy to hear.

David Murray

EAST MIDLANDS

The Financial Times proposes to publish this survey on:

17th December 1990

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FT SURVEYS

ARTS GUIDE

November 23-29

THEATRE AND OPERA

London

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. (839 5972).

Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form. (071 867 1119). Extended until January.

Man of the Moment (Globe). Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation (437 3667)

Into The Woods (Phoenix) Julia Mckenzie shines as the witch in Stephen Sondheim's compendium of fairy tales. The title song is more memorable than a storyline that descends into recrimination and chaos as the characters' dreams turn sour. (867 1004)

Cats (New London). The formula of T.S. Eliot words, Lloyd Webber music and feline dance has made this Britain's longest running musical (405 0072)

Royal Opera, Covent Garden. A new production by Adolf Dresen of *Fidelio* conducted by Christoph von Dohnanyi has Gabriela Benackova, Jan Blinkhof, Monte Pederson and Robert Lloyd in leading roles. Further performances of the *Barbiere di Siviglia* revival, conducted by Gabriele Ferro, with the second of two casts: Edita Gruberova, Justin Lavender, Vladimir Chernov, Eric Garrett and Alexander Morozov.

English National Opera, Coliseum. *Così fan tutte*, in John Cox's stylish 1980 production, returns with a new cast, led by Rita Cullis and Glenn Winslade, and Peter Robinson as conductor. Further performances of the new double bill — Delius's *Fennimore and Gerda*, Puccini's *Gianni Schicchi* — conducted by Charles Mackerras, produced by Julia Hollander.

Madrid

Les Liaisons Dangereuses (Teatro Albeniz). The Royal Shakespeare Company will be performing Christopher Hampton's play based on the Laclos' novel of seduction, intrigue and revenge set in pre-revolutionary France, directed by David Leveaux, and starring Pip Miller and Emma Piper. Ends November 18 (522 02 00).

Paris

Bastille Opera. The season opens with Verdi's *Otello* conducted by Myung-Whun Chung with Placido Domingo in the title role for the first five performances and with Renato Bruson as Iago and Kallen Esperian as Desdemona (40011616).

Opéra Palais Garnier. *L'histoire de Manon* to Massenet's music rearranged by Leighton Lucas in Kenneth Macmillan's choreography with Nicholas Georgiadi's decors and costumes, conducted by Barry Wordsworth. Théâtre des Champs Elysées (47425750).

Chatelet. Broadway musical *42nd Street* to Harry Warren's music in a production supervised by Mark Bramble (40282840).

New York

Falsettoland (Lucille Lortel). It will be known as the first musical about Aids hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling. (239 6262).

Les Misérables (Broadway). Victor Hugo's sweep of history and pathos brings lessons in pageantry and drama to Broadway (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).

Gypsy (St James). This 30th anniversary production is a reminder of the heyday of the American musical with memorable tune after memorable tune, as well as a forceful plot about the ambitious stage mother who encourages her daughter into burlesque (246 0102).

Metropolitan Opera. James Conlon conducts *Salome* with Hildegard Behrens, Helga Dernesch and Peter Kazaras in Nikolaus Lehnhoff's production. James Levine conducts Arvin Brown's production of *Porgy and Bess* with Priscilla Baskerville, Marvis Martin and Terry Cook. James Levine also conducts Piero Faggioni's production of *Un Ballo in Maschera* with Aprile Millo and Juan Pons (362 6000).

Chicago

Other People's Money (Royal George). Corporate takeover artist Larry "the Liquidator" Garfinkle is played for all his mischievous worst by Peter Van Wagner in Jerry Stern's funny and telling view of contemporary finance, directed here by the star of the off-Broadway production, Kevin Conway (988 9000).

Phantom of the Opera (Auditorium). The midwestern production stars Karen Culliver surrounded by the familiar chandelier and other heavy duty props in a full blown staging (902 1919).

Lyric Opera. Leo Nucci has the title role of *Rigoletto* in Sandro Sequi's production conducted by John Fiore. Donato Renzetti conducts Andrei Serban's new production of *Lucia di Lammermoor* with June Anderson as Lucia and Alfredo Kraus as Sir Edgar. Civic Opera House (332 2244).

Tokyo

Kabuki: Performances at Kabuki-za centre around a name-taking ceremony for the actor Senjaku, who follows in his father's footsteps to become Ganjiro III. Both performances (11am, 4.30pm) are mixed programmes, combining drama, spectacle, song and dance. Earphone guide in English and English-language programme (541 3131).

SALEROOM

Save Badminton appeal grows

The chase is on to save the Badminton cabinet for the UK. The highly ornate cabinet, made in the Grand Ducal workshops in Florence in the 1720s for the 3rd Duke of Beaufort, was sold by his successor at Christie's in July for £8.58m to the Polish American, Mrs Basia Seward Johnson. An export licence has been withheld to give a British gallery or museum the chance to raise a matching sum and the Fitzwilliam at Cambridge is spearheading an appeal which has already raised £2.25m.

Yesterday the National Arts-Collection Fund announced that it was giving £250,000, equal to its largest ever donation. This joins the £1.5m pledged by the National Heritage Fund and other contributions.

The Supreme Order of the Chrysanthemum, the highest honour of the Japanese Empire, and bestowed on Prince Arthur, Duke of Connaught, sold for £71,500 at Christie's yesterday. It was awarded in return for giving the Order of the Garter to two Japanese Emperors, in 1908 and 1912. Just as it is rare for foreigners to receive the Garter so giving the Chrysanthemum, especially, as in this case, from the hands of the Emperor, was regarded as a mark of signal respect.

In the same sale a Victoria Cross gained posthumously in 1917 by Captain Arthur Henderson of the Argyll & Sutherland Highlanders, sold within forecast for £15,400.

Phillips had mixed fortunes yesterday, with results which confirmed that furniture is currently a much stronger market than pictures. An Italian 18th century walnut and tulipwood commode, which had a top estimate of £20,000, was fiercely contested for by five continental dealers all in the room and finally went to E. & A. Micheli for £107,800. A pair of Louis XVI console tables also far exceeded estimate at £63,800.

In contrast an early landscape of around 1798 by the German artist Caspar David Friedrich failed to sell at £120,000 although the price was within the catalogue estimate. "The Coach" by Adolphe-Gustave Binet was within target at £37,400.

Sotheby's held a routine sale of Chinese works of art which totalled £297,759 but with 27 per cent unsold, a good indicator of trade uncertainty. The dealer Michael Hogg paid £30,800, above estimate, for a pair of blue and white vases and covers, of the Kangxi period (around 1700) and a pair of famille rose figures of boys, both 14½ inches high, Qianlong, (mid 18th century) sold within forecast for £14,300.

Antony Thorncroft

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The task for the new PM

PERHAPS THE most jarring moment of the Tories' six-day war came when Mr Michael Heseltine marvelled that it had taken him only a week to topple Labour from its lead in the opinion polls. But the prime minister-elect should spend only a little time enjoying the honeymoon and none at all contemplating an early general election. Mrs Thatcher has bequeathed her successor more than a problem of tone and party disunity. Her administration had run out of steam. It will take more than a reasonable manner to restore its momentum.

Mr Major's first task is to choose his cabinet. He will be right to choose a team capable of unifying the party and wrong to restrict his rewards to his backers in the campaign.

The case for keeping Mr Hurd at the foreign office, given the Gulf crisis, is overwhelming. But for the Treasury, Mr Major has a number of options. Mr Chris Patten and Mr Kenneth Clarke are perhaps the two most able figures of Mr Major's own generation in the outgoing cabinet. The fact that both men supported Mr Hurd is irrelevant. Either would be a credible chancellor, as would the chief secretary, Mr Norman Lamont.

It also seems likely that Mr Heseltine will be offered a job. The party chairmanship suggests itself, but that may not be enough for the man who has had to settle for being kingmaker. Another possibility would be the Home Office, where another of Mr Major's backers, Mr David Waddington, would not be sorely missed.

Immediate priorities

Once he has got his cabinet, Mr Major must take a hard look at policy. The immediate priorities are obvious: poll tax, Europe and the economy.

On poll tax, there must be a commitment to a more progressive impost, although Mr Major was right during his campaign to avoid specific proposals. The last thing the Conservative party needs is an ill-judged reform of an ill-judged tax.

Britain's European partners are likely to allow the author of the hard Ecu plan to keep it as part of an agreed progress towards monetary union. But he will have to accept the ultimate goal of a single currency as well. At the same time, Mr Major will need to place his personal stamp on the political union debate and provide a landmark as tall as Mrs Thatcher's Bruges speech to convince his domestic and European audiences that Britain is at last on board the European express.

Significant challenge

Europe will also present the new prime minister with what will probably be his first significant challenge. The Uruguay Round of international trade negotiations is to close next week. At the moment, it is likely to fail. If so, the EC's niggardly position on agriculture will rightly get the blame. Mr Major will have to fight as hard as his predecessor, but more effectively, to change that position.

Mr Major will not need any briefing about the economy. Here the options are narrow and the risks of electoral embarrassment considerable. The new chancellor will have his nerve tested on interest rates in what increasingly feels like a rather nasty recession and he will also find obstinately high German interest rates cramping his room for political manoeuvre.

This may seem like a big enough agenda for the new prime minister. But he cannot simply hope that competent leadership in these areas will keep him in Downing Street, since there is no chance that the economy will deal the Conservatives an electoral ace.

The missing dimension in the Major manifesto has been any sense of where he wants to take the party. It is all very well to say that he wants the welfare state to be better run, but how? What does he have in mind about infrastructure and about local government? Will he uncork the potential of Thatcherite liberalism in the field of devolved government, a more effective role for parliament and reform of the Upper House? Is he, perhaps, the man to open the door to proportional representation in European elections? It is time for Mr Major to start working on the party's general election manifesto. There is much to do.

Resolution on Iraq

IT IS now nearly four months since Iraq invaded Kuwait. The immediate reaction of the outside world was on the whole united. Through the United Nations, it was to condemn the invasion, to call for an Iraqi withdrawal, to impose economic sanctions to help bring that about and to allow enough military forces to be in place to be used if economic measures proved inadequate.

Some of the initial objectives have been achieved. Just after August 2, when the Iraqi invasion took place, it seemed possible that Saddam Hussein might extend his aggression to at least parts of Saudi Arabia. The prompt response, especially by the United States with the backing of the Saudi government, removed that option. It is also probable, though hard to demonstrate in detail, that economic sanctions have had some effect. Iraq has not been been able to export its oil; it has been unable to borrow on the international markets. Yet the fact remains that nearly four months on Iraq is still occupying Kuwait.

That is why moves are now in train to introduce another resolution of the United Nations Security Council that would be both tougher and more specific than anything that has gone before. The resolution, expected to be proposed tomorrow, will not only seek endorsement for the possible use of force; it will set a deadline for Iraqi withdrawal.

General principle

There has been some discussion whether the deadline should be January 1 or January 15. The precise date, however, is less important than the general principle, and there need be no automaticity in war starting the day after Iraq has failed to comply. The points at issue are whether setting a deadline might encourage Iraq to draw back, and whether the outside world is in a position to take effective action if Iraq does not.

In seeking to answer those questions, it is worth recalling what the dispute is about. Iraq committed a blatant act of aggression. It was the first such major act in the post cold war age. The ending of the cold war meant that the five permanent members of the Security Council (Britain, France, China, the US and the Soviet Union) were in the unusual position of agreeing that the aggression should be challenged. The possible use of force was always implicit in the original resolutions on economic sanctions; actual use of force is provided for in Article 42 of the UN Charter.

It is also worth asking how the UN would look if it huffs and puffs, passes resolutions yet in the end allows the aggressor to get away with his gains. The answer lies in the proverbial Chinese phrase: it will not only look like a paper tiger; it will be a paper tiger. The invitation to future potential aggressors will be open.

Subsidiary question

There is a subsidiary question about the United States and its main allies. Some Americans have complained that they have not received as much support as they might have done from Japan and Germany and even from Europe in general. That is a subject that may have to be dealt with later, yet it can hardly be said that European support is negligible: the Japanese have helped financially. For America and its allies to back down now, when they have the resolutions of the UN behind them, would be to undermine any new world order before it has been established. It would also place very serious question marks over the role of the US in the world at large.

Only the military commanders can satisfactorily answer the question whether the allied forces have the capability to drive Iraq out of Kuwait if diplomacy and economic sanctions have been shown to have failed. But given the amount of hardware and manpower now in place, as well as the unity that has been maintained between such a large number of diverse states, we must be reaching the stage where some military action is feasible. It is desirable to obtain wide international sanction for the use of force, not least to make the threat to Saddam Hussein more credible. It would also ensure that any use of force would reflect a global consensus rather than a unilateral US decision.

The new prime minister has had a rapid rise through Conservative ranks, but will he be his own man, asks **Joe Rogaly**

Will the real Mr Major stand up

It has all been remarkably efficient. Within a fortnight, the most commanding peacetime prime minister of this century has been replaced, after two ballots of her peers, by a promising nonentity. The Conservatives jettisoned Mrs Margaret Thatcher because her unpopularity threatened to drag them down.

They have adopted Mr John Major partly because she supported him, partly because he has done a number of ministerial jobs without putting a foot wrong, but mostly, I suspect, because he is universally liked, a nice guy who has enjoyed rapid promotion and threatens to do no one any harm. He may even turn out to be another living wonder, although this is not widely anticipated.

Translating what has happened into plain American, we have dumped Reagan, and picked up, some sourpusses think, Dan Quayle – but in my view we have probably got a young George Bush. For the signs are that Mr Major is no more a captive of the Tory right than President Bush is of the wilder Reaganites. My analogy cannot be stretched too far, since Mr Bush is of the upper-crust, while Mr Major, as everyone in Britain should know by now, is of humble origins. Perhaps I should have said that the great leader Franklin D. Roosevelt has suddenly gone, so who is this Harry Truman, and how will he turn out?

Not even his best friends claim that they can at this early stage discern in Mr Major qualities of the sort that President Truman displayed. The president who surprised the world nearly half a century ago came to power in the closing year of a particularly horrendous war, and was tested early on by being confronted with the decision to use the atom bomb. Yet Mr Major may be tested pretty sharpish too, if there is a Christmas war in the Gulf.

It would be a help, if that happens, to have Mr Douglas Hurd as his foreign secretary, but at the end of the day it is the new prime minister himself who will have to be on the line to Washington, and it is he who will bear the responsibility for shouldering the burden of the British casualty count.

His personal response to such a foreign crisis will be observed when the time comes; no more can be said about it now. We can, however, look at the peacetime tasks that lie before him.

The first is the establishment of a new government. He will do this as he does everything else, using his proven sensitive political antennae to ascertain what ministerial team will most establish party unity and, more pointedly, which set of ministers will produce the best chance of winning the next general election. This cabinet-making will be the initial indication of how much Mr Major is in charge of his own agenda, and how much, or little, heed will be paid to the voice of his predecessor if she plays the role of back-seat driver. Those who know him well suggest that he will be anxious to demonstrate that it is he, and he alone, who is behind the wheel.

The new cabinet will be the initial indication of how much Mr Major is in charge of his own agenda, and how much, or little, heed will be paid to the voice of his predecessor

I make no predictions as to individuals, except to retail the guess, available wholesale in Westminster this week, that the job of party chairman, plus seat in the cabinet, may be offered to Mr Michael Heseltine. Thus placed, the latter would be detached from any department of government, while his energy, and his vote-catching prowess, would be put to good use.

Whether Mr Heseltine, who does not need the salary, would take the job is another question. Perhaps his instant transfer of allegiance to the clear victor last night will put him in a good position to ask for a role closer to the centre of the administration.

The next task will be to unify this new cabinet, and through it the whole party, around agreed policies on the economy, Europe and the poll tax – not in that order, since they are all first on the list. It would surprise everybody if Mr Major produced fresh or original approaches to these tasks. That is not his style.

What he is likely to do, if he is true to character, is move with caution. He will listen to members of parliament, and he will sit patiently through expositions of official briefs. His powers of absorption and assessment in such circumstances are attested to by many. He is good at mastering the details of a case, say those who have worked with him at the Treasury, and he is not necessarily mastered by it.

Here, however, there is a question mark. I have used presidential analogies to explain Mr Major. The point is worthy of one further development. British prime ministers became more presidential as a succession of incumbents developed their own policy units inside Downing Street. This acted as a counterweight to the civil service.

In Mrs Thatcher's case her policy unit was attached by threads of steel to right-wing think tanks, such as the Centre for Policy Studies (founder: M. Thatcher), the Adam Smith Institute, and the Institute of Economic Affairs; they in turn were linked by underwater cable to their Reaganite counterparts in New York and Washington. The evolution of her political thinking into a cult, complete with fanatics, was sustained by this mechanism.

The new prime minister has given no indication that he will maintain it intact. His private reflections on his career to date amount to a fiercely proud assertion of his distinct individuality. He may well seek to placate the high priests who attended his predecessor's devotions, but it would be no surprise if in due course they were gradually removed, or replaced. In such circumstances, and short of the build-up of a fresh set of policy advisers and outside thinkers, the good old British civil service, the one that has made us the great and thrusting fount of economic vitality that we are today, would over time resume its former predominant role in policy-making.

This is of no small political significance. Since 1979 Britain has been governed by a prime minister who, whatever her faults, has been infused with a vision. She has been a driven woman, always urging ministers forward, terrifying them, tiring them out one by one, disposing of them, nagging them, politicising their senior officials, popping in on this or that issue, scrawling her comments on everything, vetoing this, insisting on that, overshadowing all.

John Major: he may turn out, like his political mistress Mrs Thatcher, to be another living wonder, or he may turn out to be a British George Bush

The new prime minister entered parliament when the old one entered Downing Street. In all his appearances to date, Mr Major has been the antithesis of his political mistress. Where she has courted conflict, he has sought a deal; where she has disdained the hatred of her opponents, he seeks to be liked by everyone. The new prime minister is a hard worker, a friendly chap, a strong debater, intelligent if not excessively burdened by a wide range of knowledge, a solid conservative with his heart in the right place on issues such as racial discrimination and care for the worst off. He is all of those things, but he is not her.

This is not to say that the policies put in place over the past 11½ years will be abandoned. Some of the wackier notions of the Thatcher cult, particularly those developed during the infamous year-and-a-half of hubris, July 1987-December 1988, will be quietly filed away, but the essence of the strategy – privatisation, fiscal discipline, and a progressive extension of the prerogatives of the consumer – will be maintained.

Thus education vouchers and the extension of tax relief to more buyers of private medical insurance are ruled out; the experimental scheme that turns public housing rents into mortgage payments, and thus tenants into owners, could be turned into a useful item in the next election manifesto if the cautious Mr Major is satisfied with the figures.

It is plain that the election will be fought on bread-and-butter issues. When I interviewed him on Monday the new prime minister – then still chancellor of the exchequer – indicated that the central issues that always determine elections in this country are the economy, interest rates, mortgage rates, the retail price index, pensions, social services, and social security. This also constitutes a list of his previous job responsibilities in government. He should be good at them, or at the least good at ensuring that his ministers are.

Ah-ha, you say – but what about Europe? With negotiator Major in charge the Conservatives stand a chance of getting through even that more or less unscathed. There may be tense moments in the intergovernmental conferences (IGCs) on European political, economic and monetary union due to start in Rome on December 14, but a bridge of fudge between the Franco-German and the British positions should not be impossible to design.

It would be quite amazing if, after all the infighting among Conservatives about the EC over the past few months, Mr Major would risk another outbreak by coming home from the IGCs in high dudgeon, isolated and furious. That is not his way. Only Mrs Thatcher could upset the apple-cart, in a Bruges speech from retirement.

All of this leaves the Labour opposition in something of a quandary. It no longer has Mrs Thatcher to frighten the voters with. It now faces a young prime minister who left school at 16 to help support his family, an evocation of the American presidential dream. His record shows not only some genuine adjustments of policy in favour of the worse off, but also a wily understanding of how to present rather harder strategies in a favourable light.

"What materialism means for many people," he said at the party conference a few weeks ago, "is that they are better fed, better clothed, better housed than ever before. They own homes, cars, washing machines and televisions, on a scale earlier generations never dreamed of..."

Labour's obvious reply is that little attention has been paid to market failures. The opposition had better watch out on education – Mr Major clearly plans to attempt to outflank them there – but on the environment, health, city centres, transport infrastructure, and similar areas Labour can plausibly argue in favour of public provision on the ground that the private sector acting alone is inadequate to the task.

It should do well on that ground alone. Then the case for voting Labour next time would be that it is newly-established as one of two large non-ideological parties in a dispassionate contest to be better managers of the social market economy, the Tories presumably by then being free of ideology. It might therefore reasonably expect a chance to consolidate the new bloodless duality of British politics. I doubt it.

What is in question is whether the leader of the Labour party, Mr Neil Kinnock, will prove adequate to the task of selling his own simple message of better communal provision and not too much incremental taxation. I have great admiration for Mr Kinnock's demonstrated skill in reshaping his party, but his well-known verbosity is a handicap, both for himself and for Labour. We are not talking about political giants here.

No contemporary British party leader is that; following Mrs Thatcher we are back in pygmy-land. But the Tories may have convinced everyone that there has by some miracle been a change of government and show, as they began to do last night, that they are solidly behind their new, unarguably competent, leader. How Labour supporters must envy them.

OBSERVER

Distant Heath

■ One figure oddly absent during the latest phase of the Conservative Party's leadership contest has been that of former prime minister Edward Heath, the man from whom Mrs Thatcher seized the Tory crown in 1975.

Given the degree of enmity between the two, one might have supposed that Mr Heath would derive a certain satisfaction from being present at every stage of her ignominious departure from office.

But no: he has chosen to disdain the turmoil. Yesterday he was not roving the corridors of Westminster gleefully campaigning for Mrs Thatcher's replacement, but arriving in Peking for the start of a five-day visit.

Heath has had a close relationship with China's leaders since the days of Chairman Mao, and his visit to the capital was arranged some time ago.

None the less, it could surely have been postponed, allowing Heath to remain in London to play the role of elder statesman.

Given the strong emotions that Heath's anti-Thatcher stance has aroused over the years within the party, he may have calculated that any intervention by him on the part of Douglas Hurd, his one-time political secretary, could have had an effect opposite to the one intended.

Abracadabra

■ A London company called Marvin's Magic has launched an executive service telling captains of industry how they can put tricks to use in the course of their day-to-day business.

"Imagine the situation," says the publicity blurb. "A stuffy executive boardroom ... international businessmen ... a delicate negotiation ... finally, you pick up the all-important contract and, to everyone's horror, rip it to shreds – then magically restore it, to the delight, relief, amusement and perhaps applause of the entire room!"

Marvin's Magic, we are told, is increasingly in demand to conjure up ways of bringing a novel and light-hearted touch to boardroom speeches, sales presentations and meetings.

Strikes me that this is pretty junior stuff compared with the juggling of figures and levitation of share prices to be seen most days in the City.

But if there is anyone out there feeling inadequate in the Black Arts department, Marvin's Magic is giving demonstrations of its executive tricks today and for the rest of the week.

The venue is Harrods.

Red chip

■ The future for the securities industry is brighter in Moscow than in London or New York, judging by interest in a new manual for budding Soviet stockbrokers.

Called The Securities Market: a Guide to the Brokerage Profession, the 600-page textbook is a Russian-language adaptation of the handbook used by students enrolled in the Canadian Securities Course.

The project is the brainchild of Dr Boris Alekhin, a former researcher at the USSR Academy of Sciences in Moscow and more recently visiting professor at the business school of Dalhousie University in Halifax, Nova Scotia.

Alekhin says he got the idea during a visit last year to RBC Dominion Securities, Canada's biggest brokerage firm.

Since then, he has set up a consultancy in Moscow (named, appropriately, Russia Securities) to advise people on the ins and outs of the stock markets.

"It's the honeymoon period"

Soviet enterprises are willing to pay "a huge amount of money just to know the difference between a bond and a share," Alekhin says.

He adds that Russia Securities' first contract – with a petrochemical company – was worth more than the firm's initial paid-up capital of Rbs 50,000.

The textbook goes on sale in January, with Alekhin expecting sales to reach 30,000 copies.

His publisher – Financy y Statistika of Moscow – has already asked him to start work on a second edition.

Foul play

■ On the playing fields of France, all is well. The country's national soccer team has left behind its ignominious failure to qualify for this year's World Cup finals and is proudly parading the longest unbeaten record in Europe.

Off the field, however, all is darkness. Half the clubs in the football league are losing money – the record is currently held by Bordeaux, with a declared deficit of FFr242m (£25m) – and most of the rest are under investigation by the police for various forms of tax evasion, under-the-table transfer fees, kickbacks and straightforward fraud.

The police spotlight is focussed most sharply on Sporting Club de Toulon, whose general manager, Roland Courbis, has been remanded in custody. But three players and two managers of Olympique de Marseille – which in footballing terms, at least, is still league leader – have been questioned by police, and Claude Bez, the manager of debt-ridden Bordeaux, is the subject of another police inquiry.

Meanwhile the entire French First Division is under investigation by the tax authorities.

Worst of all, Jean-Claude Darmon, the man who turned football into a business in France by developing its advertising potential and marketing television rights, has been charged with fraud and abuse of company funds over allegations of inflated payments to a series of screen companies.

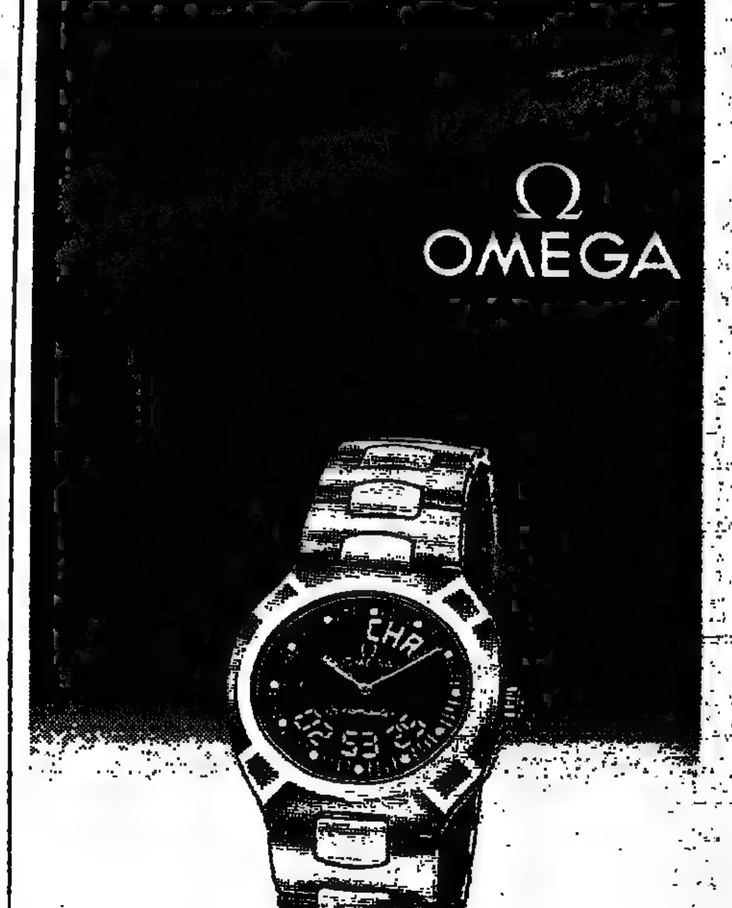
"I'm stunned, not to say shattered," says Jean Fournet-Fayard, chairman of the French football federation.

One of the few people involved in the affair who can still claim to be putting the interests of sport first is Roger Bambuck, the Olympic gold medallist sprinter who is now sports minister. "I will go right to the end to get rid of all the filth in football," he promises.

He may have his work cut out. Even the referees are tainted: Bez has claimed that those presiding over European cup matches are routinely provided with prostitutes.

Funny old world

■ "Knock, knock ..."
"Who's there?"
"Maggie."
"Maggie who?"
"A week *is* a long time in politics, isn't it?"



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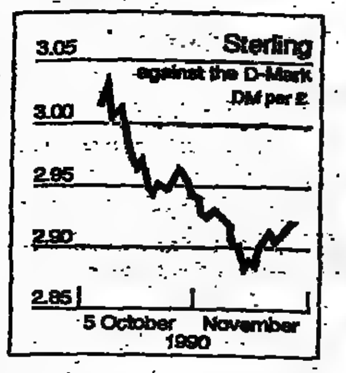


Currency at a crossroads: from left, Andreotti, Delors, Kohl and Mitterrand will have to grapple with Major's hard Ecu plan

The push is on for a parallel currency

Peter Norman and David Buchan on the EC prospects for Mr Major and his hard Ecu

Britain's position in the forthcoming inter-governmental conference of European Community leaders on economic and monetary union has been greatly enhanced by Mr John Major's ascendancy.

For the prime minister-designate has been the driving force behind Britain's plan for a parallel currency, the hard Ecu, as an alternative to the Delors Committee's plan for a three stage move to Emu culminating in a single currency and European central bank.

Mr Major will be able to appear in Rome next month with none of the odium that came to attach to Mrs Thatcher in her dealings with other community leaders.

Although an unknown quantity for the likes of French President François Mitterrand, German Chancellor Helmut Kohl and Mr Giulio Andreotti, the Italian prime minister,

Mr Major can expect to be more of a master of his brief than the other EC leaders

they will know from their ministers of finance that he is a charmer by nature.

Mr Major can also expect to be the master of his brief to a far greater extent than the other EC leaders, having espoused and defended the hard Ecu at several meetings of EC economics and finance ministers.

It is clear from Mr Major's comments during the leadership election campaign that he will be a tough negotiator on Emu. He has ruled out the idea of a single European currency being imposed on the British parliament and people. In that sense, his position and that of Mr Douglas Hurd, who is expected to remain foreign secretary in the Major cabinet, are no different from the stance adopted by Mrs Thatcher.

But while Mr Major has said that there are currently no circumstances in which he could contemplate surrendering monetary sovereignty to Europe, he has made clear that this position could change.

He has said that he does not know what the position will be in 15 to 20 years. In a weekend television interview, he stressed that the UK must "not deal in absolutes". He would have to study the details of any proposal to see where Britain's interest lay. This stance opens the way for Community fudge, even though for the moment, Mr Major is adamant that Britain's interests do not lie in monetary union.

He believes that the rapid imposition of a single European currency would produce "intolerable" strains and seriously divide and damage the EC. Weaker, less flexible countries on the fringe of Europe, such as Portugal or Greece, would fall badly behind. Friction would arise because these nations would demand huge transfer payments from the northern states and not get them.

Mr Major believes that the October Rome summit, in which 11 EC countries agreed to move in 1994 to the second institutional phase of the Delors plan with the creation of "a new Community institution" to strengthen and co-ordinate monetary policies among EC member states, was badly handled. He reckons that Britain's EC partners will be more divided when the IGC starts.

In his view, the apparent rejection of the hard Ecu by other EC member states is as premature as the decision to go ahead with a timetable for Emu before agreeing the substance of the moves.

The prime minister-designate believes his argument is reinforced by growing evidence that the main economies of the Community are diverging rather than converging under the pressures of rising oil prices, brought on by the Gulf crisis and German unity. While Germany, or at least its western part, remains an economic powerhouse with strong growth, the economic slowdown in France has been far sharper than expected.

In consequence, Germany is likely to raise its interest rates after next month's election while France has been pushing hard for interest rate cuts.

There are differences of detail even where the EC nations have moved furthest in their drive to monetary integration – over the writing of statutes for the proposed independent European System of Central Banks (ESCB) and the European Central Bank that will manage monetary policy and the single currency if and when Emu is agreed.

Although the central bank governors achieved a remarkable degree of unanimity, uncertainties still remain over such key details as:

- How responsibilities should be shared between the European bank's executive board and its council comprising the board and the EC's 12 national central bank governors;
- The system's external policy; and
- The sharing out of the bank's capital and profits.

Mr Major's elevation to the premiership could be a further blow to progress on the Bank. Unlike his former rival, Mr Michael Heseltine, Mr Major has rejected the idea of independence for the Bank of England and stated that the British parliament would not accept a European central bank that was not democratically accountable. Such a stance would make more difficult the goal of Mr Karl Otto Pöhl, the Bundesbank president and chairman of the EC central bank governors committee, of obtaining an EC Treaty change incorporating the central bank statutes

Officials in Brussels judge that Mr Major's government has some room for manoeuvre on a couple of counts at the forthcoming IGC.

First, the new prime minister is passionately opposed to the creation of a "two-speed Europe", and so are some other countries, notably Spain. To avoid this, the Spanish would like the planned European central bank, which they would like to see set up in 1994, should have a long running-in period before it becomes solely responsible for monetary policy.

The Spanish have therefore expressed an interest in the hard Ecu, which would provide an evolutionary route to Emu. Their idea is that the proposed European central bank should manage the new parallel currency, in much the same way as the European Monetary Fund of the original British proposal. That would give the bank something to do before the creation of a single currency by the turn of the century.

The second opportunity for the new British government is to stress the link with the inter-govermental conference on political union, which also starts in mid-December. In this, Britain could play a positive role, or at least not that of the sole recalcitrant.

A Major government would be unwilling to approve of current proposals by the Italian presidency of the EC for a significant further pooling of foreign and defence polcies. But other countries have doubts about these ideas as well, notably neutral Ireland and pacifist Denmark.

Germany and France are divided on the question of pow-

There are strong pressures for a two-speed Europe in which Britain risks being left behind

ers for the new European parliament, with the UK agreeing with France than no further significant law-making powers should go to the Strasbourg Assembly.

In addition, extension of majority voting in the Council is unlikely to pose the Major government with greater problems than its EC partners, except in the field of labour market regulations.

However, there are strong pressures for a two-speed Europe in which Britain risks being left behind. Mr Pöhl has indicated on several occasions that Germany, France, the Benelux countries and possibly Denmark and Ireland now have their inflation rates and other economic conditions sufficiently aligned to embark on some form of monetary union without the others.

Majority voting in the EC

Iron drawbridge between Britain and Europe

By Vernon Bogdanor

"If the European Community was a state," David Martin MEP has declared, "and applied to join the Community, it would be turned down on the grounds that it was not a democracy." In Britain, the debate on Europe has focused on monetary union as a symbol of sovereignty. Yet, in addition to an inter-governmental conference to amend the Treaty of Rome on economic and monetary union, there will also be a second IGC to amend the treaty on political union. This second IGC will have, as an important part of its remit, the pressing need to democratise the Community.

It is one of the merits of the recent report of the House of Lords Select Committee on the European Communities, that it considers the agenda for both IGCs. Indeed, the select committee considered "that it is just as important for the IGCs to address the democratic shortcomings of the Community as to increase the effectiveness of the Community or to pursue economic and monetary union". The actual recommendations of the committee are quite anodyne, perhaps because they emanate from an unelected chamber, and do scant justice to the cogency of its analysis.

The committee recognises that arguments over sovereignty have obscured the fact that the debate about democracy is not about transferring new powers to the Community, but about rendering accountable powers that have already been transferred. Before the transfer, powers were exercised by national governments responsible, in theory at least, to national parliaments. They have been transferred, however, to the Council of Ministers which is not similarly responsible to the European Parliament. It is this which constitutes the democratic deficit in the EC; and until it is remedied, the Community will fall far short of the standards of parliamentary government taken for granted in the member states.

The problem of democratic accountability has, moreover, taken on a new form following the extension of qualified majority voting, as provided in the Single European Act, which came into force in 1987. In the words of Sir Christopher Prout, leader of the European Democratic (Conservative) group in the European Parliament: "Until the Single European Act, the Council was no greater than the sum of its component parts; but with qualified majority voting it has acquired a role in its own right."

It makes no sense to regard ministers as any longer accountable to their national parliaments for policies on which they may have been outvoted. And, if the voting strength of individual ministers in the Council of Ministers has been irretrievably weakened through erosion of the veto, this means that control by national parliaments has also been irretrievably weakened.

It is this crucial element – majority voting – which constitutes the dividing line between national sovereignty and power-sharing. Since the Single European Act, the EC has already become a supra-national institution, different in kind from a merely confederal organisation, which can only operate through general agreement and is unable to bind individual members without their consent. How can a nation remain sovereign when its ministers can be out-voted and required to adopt policies against their will?

This point has not yet been grasped by the government; or perhaps it is fairer to say that the more *communautaire* members of the government have to pretend not to have grasped it. In its observations on a recent report of the House of Commons Select Committee on Foreign Affairs, the government observed: "The basic democratic structure of the Community is that member states' governments take decisions in the Council of Ministers and are accountable to their national parliaments for their actions." While such a description might have been acceptable before the Single European Act it is now quite misleading. Accountability now requires not only scrutiny by national parliaments, but also by the European Parliament. To achieve this, there must be co-operation between two legislatures. This means that national parliaments and the European Parliament have to be seen as complementary, not, as all too often in Britain, as two competitive institutions engaged in a duel to the death.

The perception of the Community as merely a grouping of independent, sovereign states is thus not only anachronistic; it has been the main conceptual block preventing Britain from taking a constructive position towards the reform of Community institutions at the IGC, when it is perfectly possible that majority voting will be extended from the economic and commercial areas into social and environmental policy.

In the European Parliament, Conservative MEPs find themselves part of a national group in a multi-national parliament, and for that reason bereft of influence. In the Community as a whole, the government's stance is that of a national member of a trans-national grouping. It is for this reason that, in the words of the Conservative MEP, Mr James Elles: "At a time when the iron curtain is beginning to come down between east and west, an iron drawbridge is being drawn up between Britain and Europe."

It is because it is so at odds with the burgeoning reality of the Community that the government's position has increasingly come to be seen as incoherent. For the alternative to playing a constructive role is not to cling to a conception of the Community which has been rendered outdated by the Single European Act; it is rather to withdraw, and perhaps negotiate some form of association with it on the lines of the Delors proposals for a European Economic Space. The third way advocated by the Bruges group simply does not exist.

At some time in the not too distant future, both government and people will have to make a fundamental choice; either to endorse the pooling of sovereignty, or to leave the Community.

The author is a fellow of Brasenose College, Oxford.

LETTERS

West Indies show the way to a parallel currency

From Mr Frank Bellamy.

Sir, Certain Eastern Caribbean nations – Antigua, Grenada, St Vincent, St Lucia, St Kitts-Nevis and Dominica, all ex-British colonies, share (with the British colonies of Anguilla and Montserrat) a common currency and a central bank. This is pegged to the US$ at a rate of EC$2.70 = US$1.

Although some of those nations are increasingly working together in many fields (for example, in the UK some share high commission and tourist board premises), their citizens remain staunchly patriotic. There is no "loss of sovereignty".

It is possible that a majority of the citizens of, for example, St Lucia may oppose tentative moves towards a more federal political structure for the islands; hardly anyone there would welcome the establishment of a purely St Lucian currency.

On a business trip to the Caribbean I need to carry on my person US$, EC$, Barbados $, Trinidad $ and, sometimes, French francs. Fortunately for most business transactions, there is effectively a parallel currency covering the Caribbean basin – the US$. As tour operators we pay hotels, airlines and handling agents in US$, the only exception being the French islands. The benefits of this are tremendous, not least that we have only one currency variable when calculating our holiday prices for any 12 month period.

People are innately conservative. Thus it is easy to see why there are objections to a single or parallel currency in the EC. But once a parallel currency is established, all EC currencies have permanently fixed exchange rates with it, and business dealings are normally conducted using such a currency, you will find virtually no one to argue for the present system. And at that time there will be overwhelming support for a single currency as the next logical step.

Maybe the West Indies can show us the way?

Frank Bellamy,
managing director,
Transatlantic Wings,
70, Pembroke Road, W8

Education is more than an election tool

From Mr John Black.

Sir, Mr Michael Heseltine's idea of having a centrally controlled educational system in Britain has been broached as part of his strategy to reduce the community charge. However, the implications of this are wider than it being just a tool to reduce the poll tax.

Much is made in government circles about emulating our European partners or even Japan with regard to their attitudes towards industry and technology. Yet these nations have centrally controlled educational systems which plan long-term educational strategies in the national interest.

Unfortunately the history of educational legislation in Britain has been marred by a fragmented and disjointed administrative system which is totally decentralised. Indeed, the provisions of the Education Reform Act 1988 (ERA) have increased decentralisation of the British educational system.

Educational legislation in Britain, including the ERA, has had little to do with the restructuring of a competent labour force to man an expanding British industry geared to industrial and technological innovation. The ERA, as was the 1870 Elementary Education Act, is geared to train a nation of young people for a declining industrial nation.

The big issues behind all the major education acts have been about dogmatic religious issues. Butler, when president of the Board of Education, had his time saturated with weekly meetings of religious worthies attempting to obtain their slice of the religious educational cake. Balfour's 1902 Education Act sparked off a nonconformist rate war in England which has parallels with today's anti-poll tax action.

The British, unfortunately, criticise any thought of corporatism as being socialist. No one can accuse Japan of being a socialist nation. Yet the Japanese have a corporatist state. Their ministry of international trade and industry (Miti) mobilises resources and manpower planned on very long-term strategies. The ministry of education works in conjunction with Miti to sustain and educate a highly technologically literate work force to meet the long term aims of the Japanese economy.

The structure of the ERA will have the opposite effect to what was intended. Varying degrees of decentralised state schools now have to compete with each other. The infrastructure of many state schools is in decay. There is no national long-term plan for state education or higher education in Britain. Most school managers under local management of schools face the dilemma of what priorities to meet. One secondary school I know of in Bristol has not been redecorated since the 1953 coronation.

Any attempt to reform the educational system in Britain on a centralised system must be with the major objective of improving education, as a means of improvement within the nation's economy. Any other consideration – such as reducing the community charge – must be recognised as a secondary priority. The future of the British educational system is too important to be left to laissez-faire values. I have often wondered how Eton, Harrow, Winchester or any of the other Clarendon public schools would fare under local management of schools?

John Black,
22, Bayswater Avenue,
Westbury Park, Bristol

The last task of the Uruguay Round

From Professor Allan Buckwell.

Sir, We have now all but run out of time in the Uruguay Round of Gatt negotiations in which the problems of agricultural trade have proved most difficult. Nobody who cares about improving the terms of international trade can be satisfied with the situation.

The agricultural negotiations have reached an impasse because sight has been lost of the most important goal of the talks. There is no point now in trying to attribute blame; the main participants (the EC, US, Cairns group and Japan) share responsibility. Expectations were set at an unrealistically high level and some participants moved far too slowly to remedy this and take the lead.

It took three decades and several rounds of Gatt to achieve the reduction in tariff protection for manufactured goods. Given that agriculture has only comparatively recently been such a focus of attention in the Gatt, and that farm product protectionism is so entrenched and complex, it is unreasonable to expect this can all be swept away within a decade and after a single round of negotiation. What is important now is to agree a method of measuring and making public the multiplicity of distortions to agricultural trade, and to start the process of eliminating these distortions.

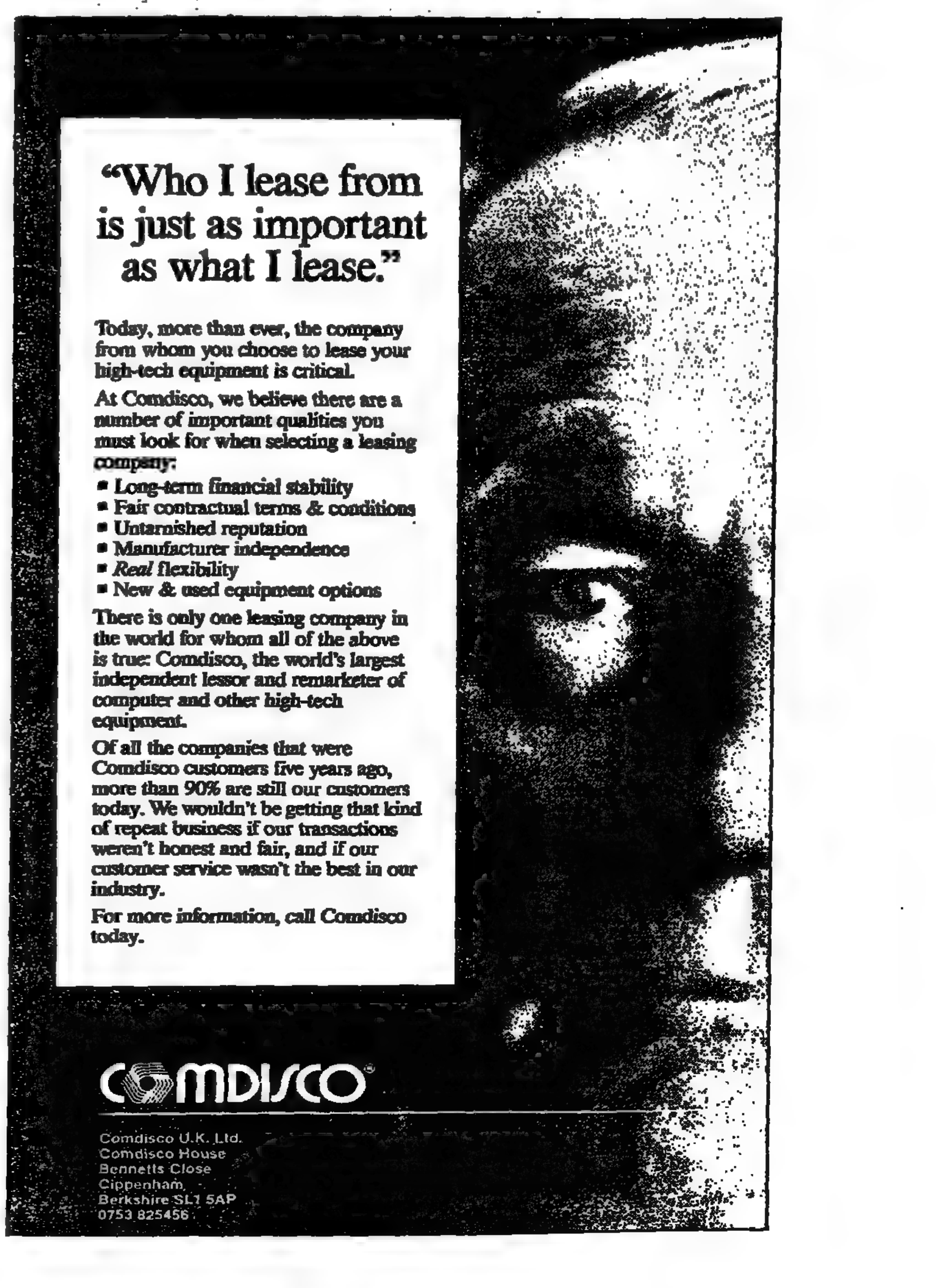
Substantial progress has already been made in this task. First, there is broad agreement to quantify in an aggregate measure of support (AMS) all the domestic protection given to each product or group of products. There are still details to be agreed, but the important thing is that such measures become enshrined in the Gatt as a means to the end of reducing protectionism.

Second, there is broad agreement that all forms of border protection be converted to tariff equivalents which may then be subject to progressive cuts. Again, in the first instance the important thing is to pursue the detail of the method to achieve as watertight a deal as possible.

If the contracting parties were able to secure agreement on these measures plus a commitment to cut internal supports and border protection by a significant amount over the next decade, this is surely progress worth having. To contemplate jeopardising the future terms of global trade because we do not largely eliminate the problems of agriculture in one negotiation is foolhardy. It is much more important to concentrate on the quality of definition of aggregate measures of support and tariff equivalents which are to be bound and then reduced, than to risk failure because the quantity of the cuts are deemed by some to be insufficient.

Using the remaining period of negotiation to improve and sharpen the areas of agreement where real progress can be made seems more constructive than elaborating the areas of disagreement.

Allan Buckwell,
department of agricultural economics, Wye College, University of London, Wye, Ashford, Kent



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Gorbachev gets tough with Iraqis

By Leyla Boulton in Moscow

MILITARY force will be used against Iraq if necessary, Soviet President Mikhail Gorbachev said yesterday, and he warned Baghdad not to test the world's resolve to expel it from Kuwait.

The Soviet leader's toughest remarks yet during the Gulf crisis followed talks on Monday with Mr Tareq Aziz, the Iraqi foreign minister. Mr Gorbachev said the talks with his former ally had been "difficult; I would even say harsh".

Speaking to journalists, he said: "I stated once more: 'Do not count on our retreating because we will not retreat. This is a matter of principle for us'." He said Iraq was still waiting for "the nations of the world to quarrel" but that it would ultimately be forced to pull out of Kuwait.

Speaking in the halls of the Russian Federation parliament, Mr Gorbachev put his opposition to Iraq's annexation of Kuwait in the strongest terms. "All of a sudden, a state barely out of a war, a neighbouring state, an Arab power, just grabs, annexes its neighbour. What kind of policy is this?"

United Nations Security Council members were yesterday finalising the text of a resolution allowing for the use of force against Iraq if President Saddam Hussein of Iraq failed to meet a January deadline for the withdrawl of his troops from Kuwait.

The Security Council is expected to approve the resolution at a meeting tomorrow. However, a deadline of January 15 is likely to be set for Iraqi withdrawl rather than the January 1 limit sought by the US.

Mr Roland Dumas, French foreign minister, said in Paris that France backed a resolution authorising an eventual use of force, but had proposed the later deadline to accommodate Soviet objections.

Mr Vitaly Ignatenko, the Soviet president's spokesman, said the Soviet Union would vote "for language that will envisage a clear-cut deadline from Kuwait and the liberation of hostages". "Otherwise, appropriate measures will be taken," he added.

Mr Gorbachev, asked whether the UN decision could involve military action, replied: "It will be very harsh, but it will be decided collectively, not by you or me." The Soviet leader added that "almost all informal talks" at last week's Paris summit had been devoted to the Gulf.

"I am sure the measures will be severe, I foresee this from the conversations I had in Paris," he said. He did not specify, however, whether the Soviet Union would be prepared to send troops to the Gulf.

Mr Gorbachev said a conflict in the Gulf could also destroy "the whole new world order".

"Tell me how can war be explained now, in a situation where the world is turning towards new relations, when we are leaving the Cold War behind us... The situation could explode not just there but the whole new world order could be blown up."

The Middle East, Page 5

Walesa tries to unite Solidarity before poll

By Christopher Bobinski in Warsaw

MR Lech Walesa, winner in the first round of Poland's presidential election, yesterday attempted to unite the warring Solidarity camp in the face of a growing threat from Mr Stanislaw Tyminski, his Polish-Canadian rival in the run-off on December 9.

Mr Walesa, who won 40 per cent of the vote last Sunday, told reporters in Gdansk he was going to telephone Mr Tadeusz Mazowiecki, who resigned as prime minister on Monday after being defeated in the presidential race. He won 18 per cent of the vote.

"I will ask him not to increase the existing tension in the country and that we should go to the parliamentary elections with minimal or even no changes in the government," Mr Walesa said.

"The situation is difficult and this obliges us to act together – a third force is capable of overturning us all," he added.

In an attempt to reassure potential foreign investors, Mr Walesa said: "Market policies will be continued and conditions for capital will be better because we will act faster."

However, Professor Andrzej Stelmachowski, the Senate chairman and a Solidarity stalwart, urged a shift in direction of economic policy including an easing of pay restrictions and greater aid for farmers.

At the moment, Mr Mazowiecki is prepared to head an interim administration but only until the new president can designate a successor. Mr Walesa is proposing that the government continue in office until elections expected in the spring.

Mr Mazowiecki, however, is unlikely to take up the offer to cohabit with his erstwhile rival over the winter months, especially as January will bring a new inflationary shock when the Comecon price system switches to hard currency.

But Mr Adam Michnik, editor of the Gazeta Wyborcza newspaper and a declared opponent of Mr Walesa in the first round, yesterday urged Mr Mazowiecki's supporters to vote for the Solidarity leader on December 9.

The fear is that Mr Tyminski, a successful businessman with interests in Canada and Peru, could continue to attract voter support. He won 23 per cent of the vote on Sunday. Should there be a low turnout on December 9, and should Mr Mazowiecki's supporters withhold their support from the Solidarity trade union leader, Mr Walesa risks losing in his bid for the presidency.

Meanwhile Mr Tyminski told a press conference in Warsaw that reports about his alleged mental illness or links with the former communist authorities were all lies. He said he wanted "to be seen as a patriot" at a time in the country's history "when we can make billions and billions of dollars", repeating a message which has already won him so much support.

Lech Walesa: "a third force could overturn us all"

Mr Tyminski, who espouses radical laisser faire policies, also declared that Poland's $40bn debt would be repaid, although he is a clear opponent of the the present government's IMF-approved austerity programme.

He failed, however, to condemn unequivocally the introduction of martial law in December 1981.

Oil import costs lift US trade deficit

By Peter Riddell, US Editor, in Washington

THE US trade deficit worsened sharply in the latest quarter, pushed up by the increased cost of oil imports and sluggish exports.

Meanwhile, consumer confidence is continuing to slide and is now nearly down to the same levels of the last recession.

The merchandise trade deficit widened to $29.75bn in the July-September quarter from a revised $23.1bn in the second quarter, according to the Commerce Department.

The increase was mainly because of a 5 per cent rise in imports, although exports dropped by 0.6 per cent after having risen steadily in previous quarters.

The value of imports of petroleum and related products rose by 29 per cent during the quarter to $15.7bn.

By volume, daily oil imports increased 3.1 per cent over the period while the average price of a barrel of imported oil increased to $24.37 in September from $14.77 in July.

The Conference Board, a business research group, reported yesterday that its monthly consumer confidence index dropped to 61.5 in November, down from a revised 62.6 last month (1985=100), compared with a level of 115.1 a year ago.

The index is widely taken as a reliable pointer to future business conditions.

The National Association of Business Economists also reported yesterday that in a survey of 51 professional forecasters, three quarters said the US was already in recession, although some two thirds believed the contraction would be mild and would be over by April.

This follows a number of other recent indicators of marked slowdown in the US economy, such as falling industrial production, although the Bush administration is still reluctant to talk about a recession.

Mr Michael Boskin, chairman of the president's council of economic advisers, said over the weekend: "It is too early to tell whether we've entered what we usually call a recession, a sustained period of negative growth."

He has accepted that total output may decline in the current quarter, and possibly in early 1991.

Depending on the level of oil prices, he has talked of a recovery from the middle of next year.

There is likely to be growing pressure on the Federal Reserve, the US central bank, for a further cut in short-term interest rates as well as calls for measures to assist growth to be included in the administration's budget in two months.

The board notes that the detailed responses show that Americans have become less confident about both current and future business conditions, while indicators of plans to buy homes and big household appliances have also weakened slightly.

Mr Fabian Linden, executive director of the board's consumer research centre, commented that the index had "fallen to recession levels and is now only marginally above the figure recorded during the lowest point of the 1982 economic downturn".

"While rising unemployment and higher prices have made consumers uneasy, the weakening of the economy has been relatively moderate, he said.

"It certainly has not been of a magnitude that would explain the plunge of more than 40 points in consumer confidnece since July.

"It is likely that the Gulf crisis and pending tax increases have contributed to the precipitous decline in consumer spirits," he added.

US may allow greater foreign investment in airlines

By Nancy Dunne in Washington and Nikki Tait in New York

THE US may relax the rule which holds foreign investment in US airlines to a maximum of 25 per cent. Such a move would represent a significant change of heart by the Bush administration and could hasten the consolidation of the world airline industry.

US Transportation Department experts are studying options, according to Mr Jeffrey Shane, assistant secretary. Their conclusions are expected in a few weeks, to be followed by policy recommendations.

Mr Shane said it was unclear how much could be achieved through administrative action, without a change in US law.

"We need to know how much capital is out there if all the wraps were taken off tomorrow," he said. "Some judgment must be made about whether this would produce any net benefit."

The administration was reluctant simply to repeal the constraints on the ability of foreign airlines to control or start airlines in the US, he said, adding that he was "intrigued" by the possibility of using increased investment opportunity to negotiate greater liberalisation in foreign aviation markets.

Mr Shane said any rules change must not compromise national security nor harm the prospects for further liberalisation of international air services.

The US airline industry, badly hit by higher fuel prices, is expected to lose around $1.5bn this year.

Some carriers are financially vulnerable: Eastern Airlines, which is in Chapter 11 bankruptcy proceedings, has been under pressure to liquidate from some creditors; Pan Am – which has failed to find a US merger partner – and Continental, have been selling assets.

Yesterday, the Air Transport Association, the industry's trade association, declined to comment on the possible move, saying its members had mixed views on the issue.

However, the industry has been pushing the authorities to find ways to relieve the current financial pressures and chief executives from many US airlines have met recently with Mr Sam Skinner, the transportation secretary.

Mr Brad Larschan, general counsel of the Association for International Investment, believes the Bush administration has already decided to give the go-ahead to increased foreign investment.

"Some airlines are in deep trouble: they need foreign investors. The administration is floating this, mostly for Congress, to see if it is politically viable."

The US has long used access to its aviation market for bilateral trade-offs to obtain entry for US carriers overseas. The administration would be looking for an EC-wide agreement, or at least a pact with several "like-minded" European countries.

One airline which might be affected immediately by any change in the rules on foreign investment is Northwest, which has been told by the Transportation Department to find a replacement for $225m of the $400m equity investment made by KLM, the Netherlands-based airline.

Toyota to double capacity of Kentucky car plant

By John Griffiths in Tokyo

TOYOTA is to spend $800m to double the capacity of its US car assembly plant in Kentucky to 400,000 a year.

The announcement is certain to generate sharp new controversy over both its timing and the alleged damage being inflicted on the indigenous US automobile industry by Japanese vehicle "transplants".

The announcement comes against the background of an already weak US new car market and declining profits for General Motors, Chrysler and Ford, but with Toyota, Nissan, Honda and other Japanese producers continuing to make strong sales gains.

What is likely to be regarded as particularly provocative, however, is that it follows by just two days publication of a US General Accounting Office (GAO) report concluding that the presence of the Japanese "transplants" resulted in a net loss of more than 40,000 jobs in the indigenous US vehicle and components industries in the period 1988-89.

Mr Shouhei Kurihara, executive vice-president of Toyota Motor Corporation, acknowledged that the timing of the announcement was "difficult" in terms of market conditions. However, the decision had been reached over a period of some months.

The Kentucky move is bound to strengthen the view of European motor industry analysts that the £700m ($1.3bn) car plant Toyota is constructing at Burnaston, Derbyshire, in the English Midlands, to make 200,000 cars a year, is only the first step, with capacity also likely to be doubled at a later stage.

While declaring that the expansion of the US plant – at Georgetown, Kentucky – should increase the percentage of US-made vehicles Toyota sells in the US, Mr Kurihara gave no guarantees that there would be a proportionate decrease in the number of cars Toyota exports to the US from Japan.

This year Toyota expects to sell about 1m cars and light pick-ups in the US – of which some 700,000 will be made up of imports.

Currently Toyota produces 200,000 Camry saloons a year at Georgetown, plus 100,000 smaller Corolla models at New United Motor Manufacturing (Nummi), a joint venture operated with General Motors in California.

Nummi produces a further 100,000 similar cars per year which are sold by GM through its own dealerships as the Geo Prism. From next year, Nummi is also to start producing 100,000 Toyota-based pick-ups annually.

Not all of the Kentucky output is sold in the US, however. About 10,000 units a year are currently being shipped to Taiwan and 40,000 a year are due to be exported to Japan starting in late 1991.

Mr Kurihara said that the additional Georgetown capacity would create "at least" 1,500 jobs in the US industry.

Construction is to start in spring next year, with the first cars due to come off the line at the end of 1993. The $800m investment will bring to nearly $2bn the total invested by Toyota in the Georgetown plant, which was first established in 1986 and which is operated by a wholly-owned Toyota subsidiary, Toyota Motor Manufacturing (TMM).

Mr Kurihara said that Toyota's aim was to reach at least 75 per cent US content for the cars. Camrys currently produced at Georgetown are claimed to have 65 per cent "local" content.

However, Toyota asserts that since production first started at Georgetown in 1988, purchases of US parts and materials have risen sharply and will have totalled more than $700m by the end of 1991.

The Georgetown project is the latest, and easily the largest, of several recent Toyota investments in the US. Last year it announced a $144m expansion of its research and development facilities in California and Michigan.

In the first six months of this year, Japanese "transplant" production rose by 17.8 per cent to 669,000, whereas total US output fell by 16.8 per cent to 3.19m.

THE LEX COLUMN

Good fun while it lasted

On past showing, this could be a slightly tricky time for the London market. Victory by Mr Major was a result both desired and confidently expected. Having risen in anticipation, the markets will now move on. It may well occur to them that the chief quality displayed by Mr Major in his year as chancellor has been political adroitness. As for his ability to run the country, there is no real evidence either way.

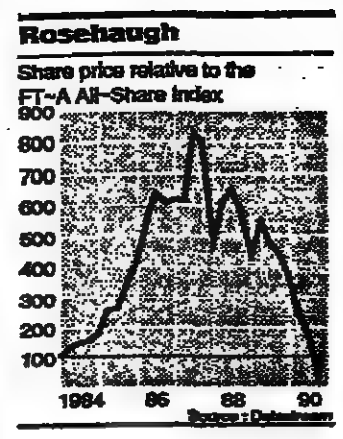
There will be a touch of relief over the banishing of the spectre of Mr Heseltine, who was a more unknown quantity again. But having been distracted for weeks by political entertainment of the highest order, the market must now return to brooding on recession and the Gulf. The recession, at least, ought to be in the price by now. Whether the Gulf is discounted depends wholly on events. But the post-Thatcher rally could have further to go, if only because fund managers will now find it more difficult than ever to justify sitting on their hands. A base rate cut by Christmas, though less likely from Mr Major than Mr Heseltine, cannot be ruled out. But it is worth recalling that since Sir Geoffrey Howe set the ball rolling, the market is already up more than 5 per cent.

Allied Lyons

Yesterday's 3 per cent drop in the Allied Lyons share price will have been due partly to disappointment at a mere 4 per cent rise in interim earnings per share. More important is the broader feeling that the company lacks a strategy to cope with the pace of change in the drinks industry. As lately as a year ago, the thought was that this would be addressed by a hostile break-up. That is now scarcely to be hoped for.

But much of this does less than justice to Allied's understated approach. The Greenall Whitley deal may have been limited in scope but it secured wider distribution for Allied's brands and raised the capacity utilisation of its breweries. The Suntory tie-up relies on a rival producer for distribution in Japan but is a potentially powerful combination, none the less.

At 463p, the shares are on about 11 times earnings. The 11 per cent rise in the dividend ought to be sustainable, assuming the rise in the tax charge is over by next year. This year so far, the shares have performed in line with their sector which has, in turn, outperformed the market by 17 per cent. The sector cannot go on indefinitely; but there is no reason to suppose Allied should perform worse than its peers.



Northern Foods

The way to look really good is to produce double-digit growth when the market is struggling. While food manufacturers have been demonstrating the sector's defensive qualities by increasing earnings by around 5 per cent, few have produced anything like yesterday's classy interim figures from Northern Foods: earnings per share up 17 per cent, dividend up 14 per cent and operating margins significantly improved at 8.5 per cent. Fresh foods remain the engine while under-performing areas have been trimmed back. Better still, there are no black holes now the venture into the US is history.

It is hard to dispute that Northern is very well balanced and financed. On forecast profits of £103m for the full year and assuming a 14.3p dividend, the shares at 354p are on a p/e of 10.5 times. But they have out-performed the market by nearly 30 per cent in the last year, so the excitement may be over for now.

Rosehaugh

Last year, it looked as though the bear market in commercial real estate in the UK would be painful but brief: a short, sharp shock before capital values started forging ahead again. The message underlying yesterday's £165m pre-tax loss from Rosehaugh is much less palatable. Mr Bradman has £350m of net debt on his group balance sheet, annual running costs of £20m, and probably only £8m of rents coming in this year. It is self-evident that if he is to keep going he still has a lot of property which must be sold, starting with his brand-new shopping centre in Torquay. In present market conditions, this is going to be a long, laborious slog: not just for Mr Bradman, but also for all the UK's other little Rosehaughs, whether private or public.

To be fair, Mr Bradman has already disposed of £195m of properties in the last 18 months, a more rapid rate of sale than many expected at the time of last January's rights issue. But the disposal process raises questions of its own about what shareholders are going to be left with at the end of it. If Mr Bradman trades out the vast bulk of his development portfolio, Rosehaugh will be reduced to little more than a quasi-investment trust, with one big, potentially valuable, but rather illiquid asset: its 50 per cent stake in Rosehaugh Stanhope Developments, which owns Broadgate but could still have £1.5bn of debt by mid-decade. At that point, shareholders will have to ask themselves whether Rosehaugh's continued existence makes sense at all.

Argyll Group

The market has become so blasé about the solid earnings growth of the UK food retailers that Argyll's interim results caused little stir. A 21 per cent rise in pre-tax profits to £143.1m, a 16 per cent dividend increase, plus a confident trading statement, and still the shares did not budge. Admittedly, they have outperformed the market by close to a third over the last year and the management has a reputation for not disappointing. Nevertheless, if Argyll really can maintain this sort of growth during what could be a long recession, the shares deserve to be trading on a higher multiple than those of a competitor like Asda, which has yet to prove its reliability.

Much of the trebling in Argyll profits over the last three years has resulted from integrating and upgrading the Safeway acquisition. It now has to prove it can grow its business rather than just reorganise it. If it can, the gap between its rating and that of Sainsbury and Tesco should narrow some more. Meanwhile, its gearing may be rising. But a year-end figure of 20 per cent remains reasonably conservative compared with the competition.

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WORLDWIDE WEATHER

City		°C	°F
Ajaccio	T	9	48
Algiers	C	15	59
Amsterdam	C	6	43
Athens	F	20	68
Bahrain	S	27	81
Bangkok	F	31	88
Barcelona	C	9	48
Beirut	–	–	–
Belfast	S	4	39
Belgrade	R	13	55
Berlin	S	6	43
Biarritz	R	6	43
Bombay	S	33	91
Bordeaux	C	7	45
Boulogne	F	8	46
Brussels	S	4	39
Budapest	R	10	50
Buenos Aires	F	24	75
Cairo	S	24	75
Cape Town	S	22	72
Caracas	C	27	81
Casablanca	C	16	61
Chicago	R	18	64
Cologne	S	8	46
Copenhagen	C	4	39
Corfu	S	21	70
Dallas	C	22	72
Dublin	S	7	45
Dubrovnik	C	16	61
Edinburgh	S	5	41
Faro	S	15	59
Florence	F	11	52
Frankfurt	S	9	48
Geneva	C	4	39
Gibraltar	S	14	57
Glasgow	S	5	41
Helsinki	C	-1	30
Hong Kong	–	–	–
Innsbruck	C	2	36
Inverness	S	5	41
Islamabad	F	21	70
Istanbul	S	17	63
Jakarta	R	32	90
Jersey	S	8	46
Johannesburg	F	23	73
Lima	C	21	70
Lisbon	F	14	57
London	C	7	45
Los Angeles	S	8	46
Luxembourg	S	7	45
Madeira	C	17	63
Madrid	S	10	50
Majorca	F	15	59
Malaga	S	14	57
Malta	S	21	70
Manchester	F	6	43
Manila	C	31	88
Melbourne	S	22	72
Mexico City	C	22	72
Miami	S	24	75
Milan	S	7	45
Montreal	C	-1	30
Moscow	Dr	3	37
Munich	C	1	34
Nairobi	C	21	70
Naples	Dr	14	57
Nassau	C	28	82
New Delhi	S	23	73
New York	C	8	46
Nice	[illegible]	[illegible]	[illegible]
Nicosia	S	22	72
Oporto	F	11	52
Oslo	S	-2	28
Paris	S	7	45
Peking	S	11	52
Prague	Fg	1	34
Reykjavik	R	4	39
Rhodes	S	21	70
Rio de Janeiro	C	33	91
Rome	F	16	61
Salzburg	R	3	37
San Francisco	S	6	43
Seoul	S	15	59
Singapore	F	31	88
Stockholm	S	-1	30
Strasbourg	S	7	45
Sydney	C	21	70
Taipei	C	26	77
Tangier	F	15	59
Tel Aviv	C	22	72
Tenerife	S	[illegible]	[illegible]
Tokyo	C	16	61
Toronto	R	7	45
Tunis	[illegible]	20	68
Valencia	[illegible]	14	57
Venice	R	9	48
Vienna	Dr	6	43
Warsaw	[illegible]	[illegible]	[illegible]
Washington	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	2	36

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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COMPANIES & MARKETS
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INSIDE

French luxuries attract investors

The French luxury goods sector of the Paris stockmarket is perking up. Earlier this year, it suffered as the yen's weakness against the franc raised fears over sales in Japan. But such fears were overplayed, say analysts, and companies such as fashion designer Yves Saint Laurent, and LVMH, maker of cognac, champagne, perfume and luxury baggage, have seen big improvements on the Paris bourse in recent months. William Dawkins reports. Back Page

Fresh Polly Peck details

Investors in Polly Peck, the troubled fruit and electronics group, had some of their questions answered about the size of the group's Turkish subsidiary, Meyna, when Coopers & Lybrand Deloitte described it as a "large ongoing business". Some London analysts regard the subsidiary as one of the principal contributors to the group's total £161m ($317m) pre-tax profits last year. Page 30

Vosper advances 15%

Vosper Thornycroft, the UK naval shipbuilder, boosted interim pre-tax profits 15 per cent to £6.1m ($12m) despite incurring hefty redundancy costs of £1.5m. UK defence spending cuts have not had a significant impact on the company as the Royal Navy is maintaining the size of its mine hunter fleet. Vosper indicated that the yard has about four years' work on its order books and about 30 per cent of its turnover is now derived from non-shipbuilding activities, such as safety equipment for North Sea oil rigs. Page 31

Prize fighters slug it out

Bloodied but unbowed, the EC trade negotiators at the Geneva round of Gatt talks continue to do battle with their aggressive US counterparts. At stake is the attempt by the powerful American grain lobby to regain the lucrative world markets it lost to the EC during the 1980s. Amid charges that the US is not fighting its corner fairly, there are concerns that a farm trade free-for-all may hurt some of the people it is designed to aid. Tim Dickson and Nancy Dunne take a sceptical look at the latest talks. Page 32

'Little bang' in Belgium

Belgium is a straggler in the European securities stakes behind London, Paris and lesser thoroughbreds. In the next few weeks, however, a series of legislative changes will be voted through the Belgian parliament turning much-vaunted financial reform into concrete reality. Tim Dickson reports that the big test for finance minister Philippe Maystadt (left) will be to stem the flow of local business to other financial centres. Page 27

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Lahmeyer	1088	+	28	Nouvelle Galer	789	+	38
Falls				Redoute	2975	+	100
Allianz AG	2100	−	80	Scre-Allbert	1110	+	35
Altana	486	−	16	**Falls**			
Brown Boveri	740	−	20	Casitem	490	−	20
Holzmann (P)	1270	−	30	Damart	1925	−	37
Munich Rck	2260	−	40	Foncière Lyons	789	−	20
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
MCA	65⅝	+	½	Pioneer Elec	3850	+	170
Novell	30	+	¾	Prma Meat Pckrs	705	+	25
Falls				**Falls**			
Dell Comptr	13	−	⅛	Honshu Paper	2120	−	100
Fluron	10¼	−	¼	Isaki Co	900	−	50
WPP	5¼	−	⅛	Kyosan Elec	1530	−	50
Waste Man.	31¾	−	¼	M'shita Wks	1620	−	120

LONDON (Pence)							
Rises				**Falls**			
AcornComp	22	+	5	Allied-Lyons	483	−	15
Alpha Ests	11	+	3	Barry Wehmiller	188	−	37
Brit Aero	533	+	11	Brent Walker	91	−	6
Cable Wireless	432	+	12	Cattles	55	−	7
Fisons	185	+	22	Dickie (J)	18	−	8
LASMO	438	+	14	Eurotunnel New	78	−	25
Markheath	41	+	3	Rosehaugh	101	−	7
Sema	425	+	21	Southnews	50	−	22
Strong Fisher	19	+	5	WPP	124	−	11
Vosper	218	+	9				

Guinness to buy 67.5% of Asbach

By Philip Rawstorne in London

UNITED Distillers, the Guinness spirits company, is to buy a 67.5 per cent stake in Asbach, producer of Germany's leading premium brandy. The price is understood to be about £100m ($197m).

The deal is the second foray made by Guinness into continental Europe within a week. Last Wednesday, it announced a £530m agreed offer for Cruz del Campo, Spain's largest brewer.

Asbach, based at Rudesheim, on the Rhine, had a turnover last year of DM468m ($316m). Its consolidated net assets at the year end amounted to DM99m.

Mr Tony Greener, UD's managing director, said yesterday that the deal had been agreed with all of Asbach's family shareholders. "Asbach will significantly strengthen United Distillers' position and broaden its premium-branded portfolio in the important German market," he added.

Apart from its Asbach Uralt brandy – number 83 in the list of the world's best-selling spirits brands with 1.4m cases last year – the company markets Germany's leading grain spirit, Furst Bismarck Doppelcorn. Some 90 per cent of the sales of these brands are in Germany and Austria. Uralt and Doppelcorn will give UD more strength in a market where international brands of Scotch whisky and gin – the core of its portfolio – have made only slow headway.

UD said it had no immediate plans to make any changes in the business. It may offer future marketing and distribution benefits, but UD already has joint ventures of that kind in Germany with the privately-owned drinks company, Underberg, and with Hosie, a Bacardi subsidiary.

Unispirit, the Underberg joint venture company, markets Dewar's Dimple, Haig and Black & White Scotch whiskies, and Pimm's. Vedima, the Hosie joint venture, markets Johnnie Walker and Cardhu whiskies, and Gordon's gin.

Within the last two years, UD has significantly trimmed the European distribution network it inherited in the 1986 takeover of Distillers Group.

UD has less then 50 distributors in Europe – down from 244. Most of UD's volume – Scotch whisky and gin – goes through 12 joint venture companies.

Brent Walker misses deadline to raise £99m

By Maggie Urry in London

BRENT WALKER, the leisure and property company which is struggling with a £1.4bn ($2.75bn) debt mountain, yesterday failed to complete a crucial £103.3m bond issue on deadline. Only about £83m of the money pledged by underwriters and placees of the bond issue had arrived.

The bond issue was an important element of a restructuring of the group's loans agreed with its 50-plus banks. The banks stipulated that the issue would have to raise at least £99m, while at least one of the placees had demanded a minimum issue size of £100m.

The deadline, already delayed from last Friday, has been extended to midnight on Friday, November 30. Meanwhile, the £83m is being held in escrow.

The £83m includes £27m from Birdcage Walk, the family trust company of Mr George Walker, chairman and chief executive of the group.

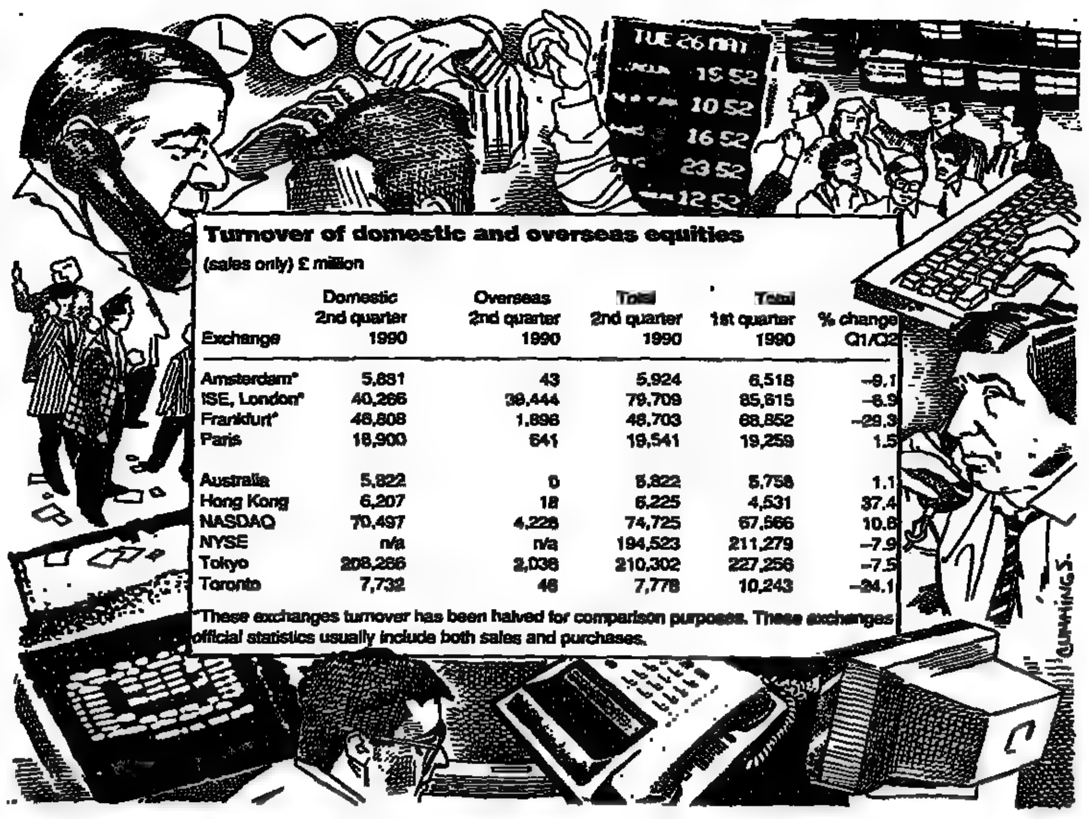
One banker said last night: "If the minimum £100m is not in by Friday night the bond issue will fold. Then the banks will have to decide what to do about the company's funding requirements."

This could mean, he said, starting from scratch on reworking the entire refinancing package. The banks agreement had allowed a standstill on capital repayments until the end of 1991 and provided extra working capital. Without the £100m from the bond issue, the banks might have to forego at least some of the interest on loans too or force more asset disposals at a time when the property market is weak.

Mr Dermot Smurfit, joint deputy chairman of Jefferson Smurfit, the Irish-based paper and packaging group, said last night that the £25m being put up by the company and by Mr Michael Smurfit, its chairman, had been paid.

Birth of a market needs burial of differences

Richard Waters and George Graham chart the EC's slow progress towards pan-European share trading



Turnover of domestic and overseas equities

(sales only) £ million

Exchange	Domestic 2nd quarter 1990	Overseas 2nd quarter 1990	Total 2nd quarter 1990	Total 1st quarter 1990	% change Q1/Q2
Amsterdam*	5,881	43	5,924	6,518	−9.1
ISE, London*	40,266	39,444	79,709	85,615	−6.9
Frankfurt*	46,808	1,896	48,703	68,852	−29.3
Paris	18,900	641	19,541	19,259	1.5
Australia	5,822	0	5,822	5,758	1.1
Hong Kong	6,207	18	6,225	4,531	37.4
NASDAQ	70,497	4,228	74,725	67,566	10.6
NYSE	n/a	n/a	194,523	211,279	−7.9
Tokyo	208,266	2,036	210,302	227,256	−7.5
Toronto	7,732	46	7,778	10,243	−24.1

*These exchanges turnover has been halved for comparison purposes. These exchanges official statistics usually include both sales and purchases.

"STOCK EXCHANGE development in Europe is well behind the rest of the 1992 programme," says Mr Nicholas Bär, president of the Zurich stock exchange.

Mr Bär has been watching events carefully. He knows that, if the European Community's national stock exchanges could only overcome their differences and create a true EC-wide capital market, Switzerland's own financial markets – and market intermediaries – would be threatened.

But from what he has seen of the EC exchanges' plans so far, Mr Bär is not perturbed. "A lot of these projects live because they feed the ego of one person or organisation," he says. "If it works, it would be damaging for us. But we are sceptical. We have to live on facts, not the future."

His counterparts in the EC have been busy in recent months living on the future. And as views and alliances have hardened, the future they are seeking – a co-operative way to promote cross-border securities trading – slips ever further away.

On the one hand, the French, Belgian and Italian exchanges have been explicit in recent weeks about their desire to reinforce their local stock markets. Any cross-border dealing arrangements should involve linking the existing national exchanges electronically, rather than creating an entirely new international market-place, they say.

According to this view, European investment laws should be framed to underpin national stockmarkets.

Other exchanges believe to varying degrees in the creation of a custom-built market for internationally minded investors. The UK leads this camp, but is far from alone.

The main disagreement among supporters of a new market is over the form it should take. Should it be a lightly regulated, quote-driven wholesale market for professional investors; or a more tightly controlled market for retail customers, possibly with a degree of order-matching?

The Germans so far have straddled both camps, arguing against the French line on protecting local stock markets, but not fully committed to the sort of international wholesale market promoted by London. As Mr Rüdiger von Rosen, vice chairman of the Federation of German Stock Exchanges, says: "We are somewhere in the middle."

Nationalism has held back the debate. "In Germany, though we have talked to our major users, there are still people who think we should build up our own national systems first and then move to international co-operation," says Mr von Rosen.

The battle for the future of a European stockmarket has been fought on two fronts within the past fortnight.

The first battleground was Dublin, the venue for the latest six-monthly meeting of the Federation of Stock Exchanges in the EC. The exchanges represented at this meeting came away with different ideas about what they had decided among themselves.

The French and Germans, for instance, believe there was strong agreement among the exchanges to build a new cross-border trading system. The British, however, claim this depends on a strong commercial case being made for the development. That is some way off: the company due to run the system, Euroquote, has still to make a convincing case for developing the price distribution network on which the trading system would be based.

There is similar disagreement on the outcome of other aspects of the Dublin talks. Should the EC exchanges develop an index of European companies, similar to ones already promoted by Amsterdam and London? Should they try to make the settlement of cross-border deals easier, either by building their own system or using an established operator like Euroclear or Cedel?

The answers to these questions are as varied as the nationalities of the people being asked.

Two things are clear: first, a trading system, a European index and cross-border settlement would take years to build, even if everyone agreed they were desirable. And second, the basic dispute remains whether national bourses should give up part of their business to a new supra-national entity. According to Mr Régis Rousselle, chairman of the French stock exchange: "It is important to understand that the different European stock exchanges are enterprises in the business of supplying investment services. As enterprises, we want to supply these services to all our client segments: that means both retail and institutional clients, and in the institutional segment it includes big international investors."

The second battleground has been Brussels, where EC economic and finance ministers have clashed recently over the proposed Investment Services Directive. The French, supported by the Belgians, Italians and Spanish, have argued for what amounts to a statutory monopoly for national stock exchanges, and for keeping banks out of the stockbroking business.

"Protectionism!" cry rivals. The exchanges claim, though, that they are making a valid attempt to protect the interests of investors. They say that central national stockmarkets act in the interests of all investors, while making regulation easier.

According to Mr Rousselle, the directive would give an unfair advantage to unorganised, over-the-counter markets.

He calls for the harmonisation of European rules on the transparency of stockmarket dealings. "I do not see why we should have European texts on insider trading and takeover rules when we cannot even track the movements of shareholders," he says.

Such arguments are seen in London as a direct attack on Seaq International, the five-year-old share price information system which now supports the world's largest market-place for international share trading. Transparency is not one of Seaq International's selling points. Although all trades are reported to the exchange authorities, they are not published to the market. Judging by London's large share of cross-border share dealing, professional investors obviously agree that they can take care of themselves.

Mr Rousselle remains convinced that all the European exchanges will be obliged to co-operate, if only because no single exchange has the means and resources to develop a successful European trading system on its own. "We have no choice, we have to collaborate," he says.

Rosehaugh loses £165m on UK property provisions

By Vanessa Houlder in London

ROSEHAUGH, the UK property development group run by Mr Godfrey Bradman, yesterday announced a pre-tax loss of £165.47m ($325.4m) for the year ended June 30, prompting its shares to fall 7p to 101p.

Rosehaugh had already sent warning signals to the market about the prospect of substantial losses but the scale exceeded analysts' expectations.

The bulk of the losses stemmed from provisions of £137m against trading properties and discontinued projects. Mr Bradman said the provisions, which reflected the major deterioration of market conditions, were "fulsome".

"We have acted decisively on a number of fronts to secure the group's long term future prospects," he said.

The size of the provisions underline the severity of Rosehaugh's problems which were first revealed when the company had a £125m rights issue in February.

With its ambitious development programme and unwieldy management structure, Rosehaugh was ill-prepared for the market downturn.

The company sold property worth £128m in the financial year and a further £77m since the year end.

The provisions on trading stock were split between £54m of residential property, £30m of commercial property and £38m of retail property. Mr Bradman stressed that the value of Broadgate and Finsbury Avenue, its principal assets, had not changed. He also emphasised that the costs of completing the projects currently under construction by subsidiaries would be just £30m.

The net asset value amounted to £475m, compared with the previous year's total of £604m, when adjusted for the rights issue. The borrowings on the balance sheet had fallen to £350m, compared with £410m prior to the rights issue.

The pre-tax loss of £165.5m compared with last year's pre-tax profit of £36.12m. It fell to £151.44m after tax, because of a £14.03m tax credit.

Turnover fell from £181.57m to £103.21m. There was a loss per share of 163.7p compared with last year's profit of 28.23p. The dividend was passed.

Glaverbel in Czech expansion

By Tim Dickson in Brussels and Anthony Robinson in Prague

GLAVERBEL, the Japanese-controlled company which is Europe's third biggest flat glass producer, announced yesterday plans to take a minority stake in Sklo Union, the Czech state-owned glass company.

In one of the first substantial deals by a Belgian public company in the emerging democracies of Eastern Europe, Glaverbel has initially agreed to acquire a 40 per cent shareholding in Sklo-Flat, Sklo Union's flat glass division.

The proceeds from the deal – around $48m – will be used to recapitalise Sklo Union, which has been valued by Bankers Trust, its financial advisers, at between $120m and $200m.

Glaverbel, controlled by Asahi Glass of Japan, said that after three years its stake would probably be increased to 65 per cent.

The deal, provisional terms of which were subject to a signing agreement in Prague yesterday, inaugurates Czechoslovakia's "big company" privatisation programme. It will be followed later this week by a decision on a future foreign partner for the Skoda automotive company, according to Mr Jan Vrba, the Minister for Industry for the Czech Republic.

Sklo Union is Czechoslovakia's leading industrial glass producer with production capacity last year of more than 600,000 tonnes, a workforce of more than 9,500, and sales of about $128m.

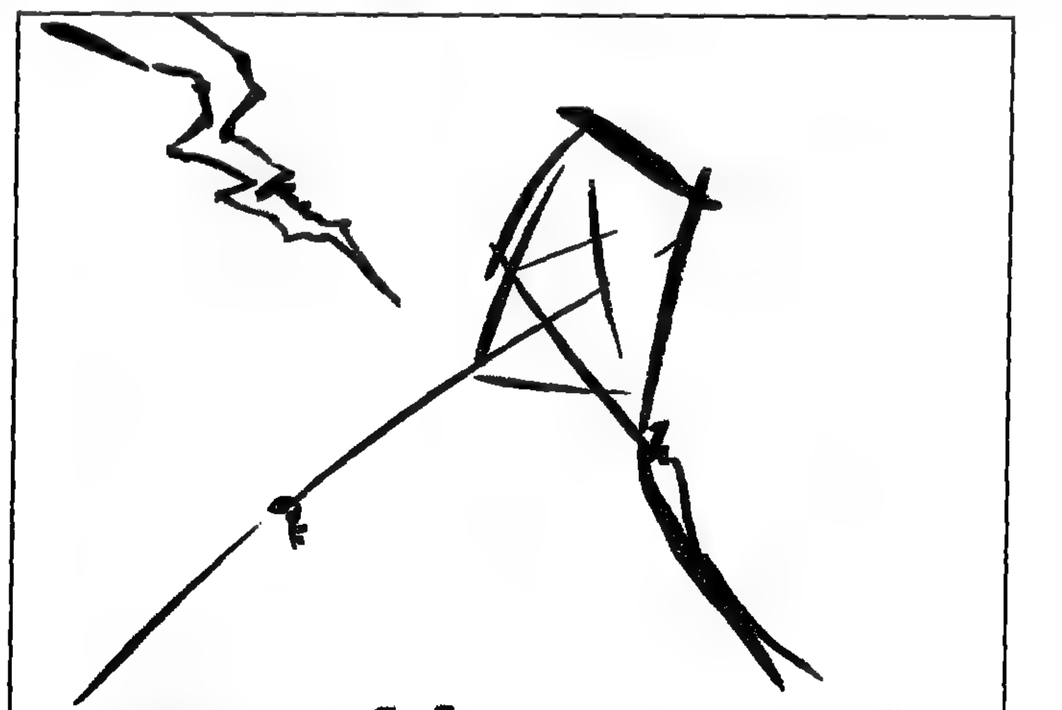
The provisional agreement provides for the upgrading of Sklo-Flat's existing plants and machinery and the development of new product areas, with Glaverbel contributing marketing and technical assistance to expand the Czech group's existing presence throughout Europe.

Both companies see the opportunity to develop SkloFlat's potential as "a top class flat glass manufacturer" while Glaverbel said the move gives it "an important strategic presence" in the expanding markets of Eastern Europe.

The existing senior management of Sklo Union – which was converted in early October into a joint stock company – will continue to manage the business on a day-to-day basis "drawing support from Glaverbel as appropriate."

Mr Luc Willame, chief executive of Glaverbel, said it decided to invest in Sklo Union because of its technical skills and the fact that its main factories are within 10 miles of the German border.

"It reflects our belief that Czechoslovakia has the best chance to raise its economy to the level of western productivity", he said.



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Receivers present report on NFH

By Hilary Barnes in Copenhagen

THE EQUITY capital of Northern Feather Holding (NFH), the Danish company whose collapse has badly shaken the Danish business world, will probably be negative when the accounts have been completed.

That is the conclusion of a preliminary report to creditors by the receivers appointed last week by the Maritime and Commercial Court in Copenhagen. NFH is the parent company of Northern Feather, the bedding and household textiles group.

NFH went to the court on November 19 following the suicide of Mr Johannes Petersen, its executive chairman on November 17.

NFH is one of Denmark's oldest companies. Its turnover last year was about DKr2.6bn ($455m) and it had 4,200 employees worldwide and manufacturing subsidiaries in the US, UK and Germany.

The receivers' report reveals some highly creative bookkeeping, which turned a large loss for the year to end-March to a sizeable profit, but the report gave no indication of the possible extent of the losses to creditors if the group goes into liquidation. Total group liabilities at March 31 were DKr3.69bn.

The leading Danish banks are understood to be be among the main creditors, but about 40 foreign banks also have claims on the company.

Several respected Danish business figures, who were members of NFH's supervisory board, have said that Mr Petersen misled them as to the true state of the group's finances.

Commentators and analysts have pointed out that frequent changes of accounting principles, as well as company auditors, over a period of several years should have alerted board members and the financial world that something was seriously wrong.

NFH told the Copenhagen Stock Exchange on September 26 that in the year to March 31 it made a net profit of DKr95m and its equity capital was DKr886m.

This "did not give a true and fair picture," the receivers said.

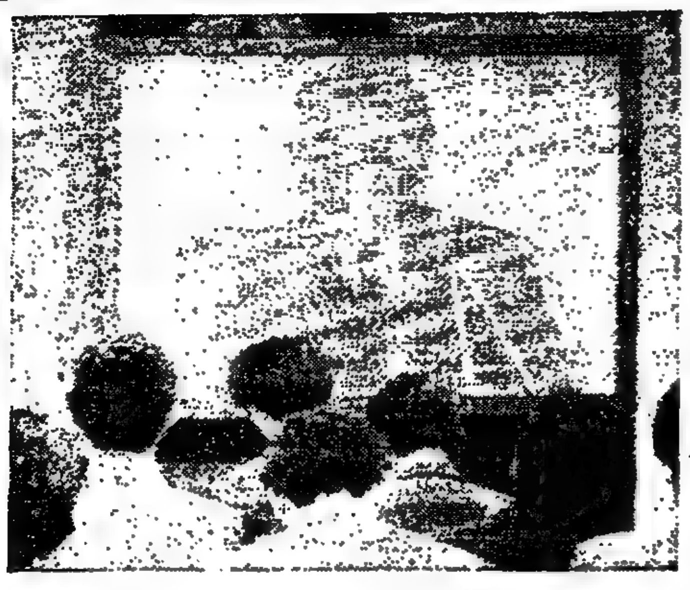
The group's own financial department reported a loss of DKr349m and equity capital of only DKr4m before "special group postings" improved the appearance of the accounts.

On September 25, Mr Petersen told a meeting of shareholders that 52 per cent of the equity in Northern Feather International of the Netherlands was sold to foreign investors for about DKr500m.

It is doubtful whether this share transfer was carried out or, if it was, whether it is legally binding, the receivers said.

The group's collapse was precipitated by reports that three international textile companies which, according to Mr Petersen, were investing in NFI as part of a strategic alliance, had not, in fact, agreed to buy equity.

MCA sale is a reel big earner



MCA chairman and chief executive officer, Mr Lew Wasserman, (near right) stands to receive about $330m from the sale of the Hollywood entertainment group to Matsushita, the Japanese electronics concern.

On Monday Mr Akio Tanii (far right), president of Matsushita, appeared on screen before journalists in Tokyo to announce that the Osaka-based company was buying MCA for $6.1bn, the largest US corporate takeover this year.

The takeover calls for a payment of $66 a share to MCA shareholders plus separate stock in MCA's WWOR-TV television subsidiary worth $5 a share

Stake sold in Spanish sugar

SUCRE UNION and Générale Sucrière, French sugar producers, Tate & Lyle of the UK and E.D. & F. Man, the UK sugar brokerage, have bought a 21 per cent stake in Spain's second-largest sugar manufacturer, Sociedad General Azucarera de España.

Groupe Saint Louis, the French food group which owns Générale Sucrière, said a jointly owned company would hold the stake. SGAE has a European Community production quota of 230,000 tonnes.

Cagliari Enimont nomination vetoed

By John Wyles in Rome

MR FRANCO PIGA, Italy's minister for state shareholdings, yesterday vetoed the nomination of Mr Gabriele Cagliari, the president of ENI, the state energy group, to the presidency of Enimont, the chemicals group.

At a meeting with the ENI executive, Mr Piga said there were clear rules governing the holding of more than one top managerial position in the public sector and these prevented Mr Cagliari from taking charge of Enimont. ENI is to spend L4,200bn ($3.75bn) acquiring the 40 per cent stake in Enimont held by Mr Raul Gardini's Montedison and a further 20 per cent in third party hands.

ENI was due to announce later yesterday the nomination of many of its top executives to the Enimont board in the wake of the acquisition. These should not run into the same difficulties with the rules.

Mr Piga said yesterday that Enimont was in need of strong leadership and a president should be appointed within a maximum of two weeks.

He added that Enimont must be managed like a quoted company and should pursue international alliances. Its future should not be that of a "state chemicals company" and, when the conditions exist, "it will return progressively to the market with a flotation of a certain weightiness".

WHAT CAN BE BETTER THAN

AAA/Aaa

EUROBONDS?

Investing in India's economic future

Basant Kumar Birla: an ambitious blueprint

CONSERVATIVE economists issue dire predictions of looming hyper-inflation in India. The Indian ministry of finance announces the country has barely enough foreign exchange reserves for 10 days' worth of imports.

The energy secretary warns of large power cuts. International bankers shy away from lending to a country riddled with political uncertainty.

In the middle of India's worst economic crisis, Mr Basant Kumar Birla, head of India's second biggest business house, said he was "optimistic about the economy." And he was willing to stake his money on it: he is proposing to invest Rs15bn ($832m) on four big greenfield projects.

Agreeing that certain sectors of the economy did not look so good, the patriarch of Indian industry ticked off some of the good points: "Look at the stock exchanges. They are up, not down. Investors are happy. By and large companies are making profits, so shareholders are also happy. I do not subscribe to the view that India is facing the worst economic crisis since independence."

Despite political uncertainty and dire warnings of hyper-inflation, businessman Basant Birla remains optimistic, Gita Piramal reports

Even as most Indian industrialists put their projects on ice until the political situation is clearer and they know whether their favourite politicians and bureaucrats have found a place in Mr Chandrashekhar's Congress party-backed administration, Mr Birla is putting the finishing touches to an ambitious blueprint which envisages heavy investments in power, cement, polyester and tyres.

Of the Rs15bn investment, more than half (Rs8bn) is earmarked for a 440mw thermal power station in Rajasthan, for which the Birla group has already signed a memorandum of understanding with the state government.

Already one of the largest cement manufacturers in the country, producing over five million tonnes/annum or 11 per cent of India's total production through eight units scattered across the country, Mr Birla expects to spend Rs2.5bn on adding to the group's existing capacities.

Through one of his flagship companies, Century Enka, Mr Birla is planning to invest Rs2.35bn in a polyester filament yarn project in a joint venture with Akzo Fibres and Polymers of the Netherlands. Another Rs2.25bn will go towards funding the first phase of a tyres and tubes plant on a site at Balasore (in the state of Orissa) in collaboration with Italy's Pirelli.

Most of the nine companies under Mr Birla's management, with combined post-tax profits of Rs1.4bn from sales of Rs17bn, have chalked out their own investment strategies for expansion. Other companies of the diversified, 43-company group, which notched up sales of Rs45bn last year, have their own capital-hungry agendas. A rough estimate reveals the group will probably spend over Rs50bn on building refineries, petrochemical complexes and more cement plants.

Cross-selling fails to motivate the salesforce

William Pitt reviews the plans of Europe's banks and insurers to sell each others' products

EUROPE'S leading insurers and bankers may enthuse about the benefits of cross-selling each other's products. But convincing the insurance companies' existing salesforces is not always easy, as UAP – France's biggest insurer – has been discovering.

UAP's "bancassurance" partner is Banque Nationale de Paris. Like the insurer, BNP is state-owned. Early last year, UAP and BNP agreed, with the blessing of the French government, to swap 10 per cent of their shares and cross-sell various products.

Mr Jean Peyrelevade, UAP's chairman, assigned an important role to his company's 1,600 tied agents in making the relationship with BNP work. Not only were the agents to promote a range of BNP's consumer credit products, they were also to provide an after-sales service to UAP policyholders who had bought insurance through BNP branches.

The attraction of this arrangement for both the insurer and the bank was that it minimised the need to train the bank's staff in handling insurance business. They would simply sell the cover and hand the dossiers over to the local UAP agent.

The agents have gone along with this, but grudgingly. They are unenthusiastic about becoming, as one French insurer puts it, "subcontractors to the bank," particularly as the UAP products being sold through BNP branches are those mainstays of the agents' livelihoods, motor and household insurance.

UAP denies that the reluctance of the agents to co-operate in building up rival networks to their own has slowed the pace of rapprochement between UAP and BNP. The insurer's products are available in less than a tenth of BNP's branches in only five French cities.

UAP says this is because BNP's staff need to be carefully trained to be able to advise clients on what form of cover to buy. It currently takes an average of 45 minutes of bank staff time to sell a UAP insurance policy; the insurance company is trying to simplify its products to speed up the process.

Nevertheless, UAP is clearly eager to ensure a smooth relationship between its agents and its new banking partner before extending the current pilot scheme much further.

In an attempt to mollify the agents, UAP raised the possibility of releasing them from their contractual obligation to sell only UAP products. The company offered them what Mr Peyrelevade termed a "free space" – up to around a tenth of their turnover – to sell insurance on behalf of other companies.

This too has gone sour. UAP's agents jumped at the suggestion – UAP insists it was only ever a suggestion – and signed agreements with the British insurer Eagle Star and various other foreign companies. UAP threatened to cancel its own contract with the agents if they went any further. The agents backed down.

The "free space" proposal is still on the table, UAP insists. But its exact form is unlikely to be decided before the new year when, it is hoped, a nationwide agreement between French insurers and their tied agents will be signed.

UAP's drama with its agents is being played out on a wider European stage. Throughout the European Community, insurance companies are reviewing their relationships with their traditional tied agency salesforces as new distribution channels open up.

In France and Italy, in particular, the agents are being squeezed from two sides. The rapid growth in life assurance business in both countries is being led by the banks which have cost advantages over the agents in selling the simpler forms of cover. And from the other side, the independent insurance brokers are winning a bigger share of the more complicated industrial risks.

Insurers in both countries are seeking, through their trade associations, to encourage the agents to be more flexible in working alongside other distribution networks. In France, this means updating the agents' hoary statutes, dating back to 1949 for non-life business and 1950 for life business.

What most alarms French insurers is the prospect of being hamstrung by restrictive contracts with agents which prevent them from entering into potentially lucrative relationships with anyone else. They want contracts to be periodically reviewable rather than indefinitely binding as now.

The French insurers' association, the Federation Française des Sociétés d'Assurances, is not commenting publicly in the progress of the negotiations. But the representatives of France's 21,000 agents must be proving hard to convince: late last year, the FFSA predicted an outcome by July this year and that has yet to materialise. Both sides have put draft proposals to their members and are hoping for full agreement by January.

In Italy, the ANIA (Associazione Nazionale delle Imprese Assicurative) is likewise talking to representatives of the country's 20,600 agents, as well as government officials. The bone of contention is how insurers may modify their agents' traditional right to sell their products exclusively in agreed locations.

There is an irony in the current antagonism between insurers and their tied agents. The territorial exclusivity of tied agents has historically been their greatest attraction for insurers: it has made it impossible for competitors to encroach without recruiting and training their own local salesforces at great cost.

This may yet serve to help check the flow of foreign insurance companies into Italy. Certain foreign insurers have been tempted to buy struggling Italian insurance companies, simply in order to gain access to their distribution networks. Guardian Royal Exchange announced heavy losses on just such a purchase at the end of August.

Mr Robert Tann, an insurance analyst at Credit Suisse First Boston Securities in London, points out that tied agents remain "the backbone of [Italian] insurance companies. The results of going against them or threatening them could be disastrous."

He also observes that not all the auguries are bad for tied agents in Europe. In the UK, Europe's most sophisticated market for life assurance, insurers suddenly rediscovered the attraction of tied agents in 1988 when the Financial Services Act imposed onerous disclosure requirements on independent insurance brokers.

William Pitt is a Paris-based freelance journalist.

PepsiCo gets go-ahead to end Perrier contract

By William Dawkins in Paris

PEPSICO, the US soft drinks multinational, yesterday received the go-ahead from the Paris Commercial Court to end the Perrier mineral water group's 27-year-old contract to bottle and distribute Pepsi-Cola in France.

This brings to an end a 12-month row between the two groups, the start of which was the first of the spectacular problems encountered by Perrier over the past year.

Last February, Perrier withdrew 160m bottles of its own brand of sparkling water following the discovery of minute traces of benzene.

This was followed in June by the retirement of its chairman, Mr Gustave Leven, who bought the Perrier spring in 1948.

Perrier reported more than doubled first-half profits early this month, but that was due to a one-off FFr1bn ($198m at current rates) gain from the sale of its soft drinks division to Cadbury Schweppes.

The US company ended the franchise deal on the grounds that Perrier underperformed and let Pepsi-Cola's market share decline – an allegation denied by the French group.

Pepsi-Cola France will take control of the French business from the start of next January. Cali France, a beverages broker, will provide sales and distribution support while the US company sets up its own arrangements.

COMPANY NEWS IN BRIEF

MasterCard International, the plastic card company, is increasing its membership rates for members joining after November 15 to one and a half times those for existing members. This is intended to reflect the value of earlier members' investment in the card system, writes David Lascelles.

Fees will also be based on the use which members make of the system rather than on their asset size as in the past.

■ Cepsa, the Spanish oil refining company, will offer a rights issue valued at Pta14.9bn ($157m), the company said yesterday. The rights issue is a one-for-five share offering with a nominal value of Pta500 a share, Reuter reports.

The rights issue is aimed at giving individual shareholders an opportunity to increase their stake following the purchase of a 20 per cent interest by France's Elf Aquitaine.

About 59.5m Cepsa shares are now outstanding and about 15m new shares will be created by the issue.

■ Wessanen, the Dutch foods group, said its chairman, Mr Gerrit van Driel, died on Saturday. Mr Van Driel, aged 68, had been Wessanen's chairman since 1970. He was due to retire at the end of this year, Reuter reports.

Wessanen said it had appointed board member Mr Peter Bakker Schut, who was to succeed Mr van Driel on January 1, to take over as new chairman from November 26.

Andersen fee income climbs

By David Waller

ANDERSEN Consulting, the consulting arm of the Arthur Andersen accounting organisation, managed to increase its European fees by more than 49 per cent in the year to end-August, despite mounting recessionary pressures.

Fee income rose from $459m to $683m, with Germany and Italy doing particularly well. Revenues there rose by 69 and 66 per cent respectively. Industrial and consumer products and financial services were the strongest market sectors.

Andersen specialises in conducting long-term, information technology-based consultancy projects. The market for this is fast-growing and fragmented and competition comes from software houses, accountancy firms and consultants.

Mr Vernon Ellis, head of Europe for Andersen Consulting, said the Gulf crisis had made a discernable impact on potential clients' investment intentions. He saidthe firm's structure – with operations separated from the accounting side of Andersen – would make the firm more recession-proof than competitors.

ECU 200,000,000
Caisse Centrale de Cooperation Economique
Floating Rate Notes due 2006
For the period from November 28, 1990 to February 28, 1991 the Notes will carry an interest rate of 10% per annum with an interest amount of ECU 255.56 per ECU 10,000.- and of ECU 2,555.56 per ECU 100,000 Note.
The relevant interest payment date will be February 28, 1991.
Agent Bank:
Banque Paribas Luxembourg
Société Anonyme

COMMERZBANK OVERSEAS FINANCE N.V.
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Floating Rate Notes Due 1995
In accordance with the provisions of the Notes notice is hereby given that for the six months period from November 23, 1990 to May 23, 1991 the Notes will carry an interest rate of 10% per annum with a coupon amount of U.S.$ 502.78 on U.S.$ 10,000.– and U.S.$ 2,513.89 on U.S.$ 50,000.–.
Frankfurt/Main, November 1990
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Eastern Airlines asks court for further $120m

By Nikki Tait in New York

EASTERN Airlines, the ailing US carrier which is already in Chapter 11 bankruptcy proceedings, yesterday asked the courts to release a further $120m from an escrow fund in order to keep it operating through the first quarter of 1991.

A couple of weeks ago, Eastern received $15m with the bankruptcy court's permission. This was half the $30m it had been seeking to pay its November bills and was granted despite the opposition of unsecured creditors who said they would prefer to see the carrier go into liquidation.

At that stage, the judge had said that Eastern would be able to acquire the remaining $15m on December 3 if it met certain conditions.

The airline had also asked for a further $40m for December and another $10m for January.

However, Eastern said yesterday that the making of repeated requests increased the perceived uncertainty over the airline's future and was proving damaging.

There were reports that, in a filing with the courts late on Monday night, Eastern put the cost of the liquidation talk at $55m to $70m in cancellations.

Mr Martin Shugrue, the court-appointed trustee who is running the airline, has stated that he believes the airline should be breaking even by the end of the first quarter of 1991.

A hearing on the latest request was due to take place in the Manhattan courts late yesterday afternoon and Eastern said that it was hopeful of a quick decision.

High costs hit Australian carrier

By Kevin Brown

AUSTRALIAN Airlines, the government-owned domestic carrier, should achieve net profits of between A$60m (US$46.1m) and A$100m this year, Mr John Schaap, chief executive, said yesterday.

Mr Schaap said the airline was experiencing a "very tough year" because of a A$65m increase in fuel costs caused by rising oil prices and a first-quarter decline in business travel.

Australian recorded a loss of A$18.7m in the year to June 30, largely as a result of a pilots' strike which lasted nearly 12 months.

The government recently announced plans to sell its 100 per cent stake in the airline as part of a programme of economic reforms.

Mr Schaap said Australian was up to 4 per cent ahead of Ansett Australia on most routes and had a greater share of the more profitable business market. Ansett, owned jointly by TNT and News Corporation, is the other leading domestic airline.

Mr Schaap said Australian was likely to lose some passengers to Compass Airlines, a new competitor scheduled to start services between major domestic destinations on December 1.

However, he forecast there would be room for only two leading carriers in the Australian market in the long term.

■ GARUDA INDONESIA, the national flag carrier, projects revenues of Rp2,6000bn (about $1.4bn) for this year, up from Rp1,900bn last year, Kyodo reports from Jakarta.

Garuda made around Rp197bn profits last year.

The airline projected revenues of Rp3,200bn in 1991, which has been designated "visit Indonesia year".

Meanwhile, Mr Frans Sumolang, president director of Merpati Nusantara Airlines, Garuda's sister company, said that Garuda's revenues include those of his company, which operates domestic flights.

For this year, Merpati's revenues are estimated at Rp300bn, triple last year's Rp100bn.

Sale of Datastream called off

By Alan Friedman in New York

DUN & BRADSTREET, the leading business information group, has taken its Datastream and Interactive Data subsidiaries off the auction block after failing to attract enough interest or offers from prospective buyers.

The announcement by Dun & Bradstreet – which attributed the decision to "current conditions in financial markets worldwide" – is the latest illustration of how US recession, the slump on Wall Street and the worldwide credit crunch are affecting the business information industry.

Datastream, which is based in London, provides online investment information, research and portfolio accounting services on international securities. Interactive Data, based in Massachusetts, provides securities-related information, software and systems to the US investment community. The two had combined 1989 revenues of $155m. Profits are not disclosed.

The decision to sell the subsidiaries was first taken last March. Datastream had originally been acquired by Dun & Bradstreet in 1984 for $102m. Interactive Data was purchased by D & B in 1988 for $140m.

Dun & Bradstreet's third-quarter 1990 net income fell by 10 per cent to $139.7m. The company said that both Datastream and Interactive Data are profitable, with the former having reported a substantial gain in third-quarter revenues and Interactive Data suffering a downturn because of the termination of certain services to Interactive's former owner – Chase Manhattan.

Dun & Bradstreet, which had 1989 revenues of $4.3bn, said earlier this year it would attempt to also sell other subsidiaries including Petroleum Information, Neodata Services, Zytron, Donnelley Marketing and the Communications division of IMS International.

To date, Zytron, Neodata and Petroleum Information have been sold. Dun & Bradstreet says it is in discussions with potential buyers of Donnelley Marketing and the IMS division.

On Wall Street, Dun & Bradstreet's share price was marked ⅞ lower yesterday morning, to $41.

New fund to invest in eastern Europe

By Stephen Fidler, Euromarkets Correspondent

A NEW fund to invest in eastern Europe was launched yesterday, aiming to raise up to $50m from international institutions.

The East Europe Development Fund will have a regional scope and aims to emphasise its ability to make direct investments in companies before, for example, a stock market flotation. It is expected to be fully invested within two years, at which point it may be listed on a stock exchange, possibly in east Europe.

It is being managed by Invesco MIM Britannia and sponsored by Daiwa Europe and City Merchants Investment Management, an Invesco MIM subsidiary.

The adviser is Central Europe Asset Management (CEAM), in which Invesco MIM has a controlling stake.

Mr Roy Bracher, managing director of CEAM, said the fund expected most of its investments would be in Poland, Hungary and Czechoslovakia, although it was looking at possible investment in Slovenia, Yugoslavia.

It may also consider the Soviet Union.

Varity sales jump but income slips in quarter

By Bernard Simon

VARITY Corporation suffered a relatively modest drop in third-quarter income, with improved earnings from its fast-expanding automotive parts business offsetting sluggish conditions in its long-established farm-equipment and industrial engine divisions.

Net income dipped to US$20.3m, or 6 cents a share, in the three months to October 31 from US$22.2m, or 7 cents, a year earlier.

The latest figures include a $15.5m charge to settle a dispute with the Canadian and Ontario governments and the Canadian Auto Workers union over a Varity proposal to move its head office from Toronto to Buffalo, New York.

Third-quarter sales jumped to $920.9m from $535.4m, largely reflecting last December's acquisition of Kelsey-Hayes, a US automotive parts maker. Automotive products contributed 43 per cent of Varity's sales in the latest period, up from 11 per cent a year ago.

Varity, formerly Massey-Ferguson, said that Kelsey-Hayes sales and earnings had risen in each quarter this year, despite the slump in the motor industry. Its products include anti-lock brakes and aluminium and steel wheels.

However, Massey-Ferguson, which claims a share of about 20 per cent of the world's tractor market, suffered a drop in sales and earnings, due mainly to softer demand in European and North American markets.

Earnings at Perkins, the diesel engine maker, were steady on a slight increase in sales.

Mr Victor Rice, chairman, said overall sales could dip in the fourth quarter. He said all divisions were moving to cut inventories and receivables, and the company was also giving high priority to paying down its $736m long-term debt.

Inventories increased to $637.2m on October 31 from $527.6m a year earlier.

Mitsui sets up Shanghai venture

MITSUI & CO, the Japanese energy-to-feedstuffs trader, has set up a distribution service venture in Shanghai with its group company, Mitsui Warehouse, and two Chinese public corporations, Kyodo reports from Tokyo.

The new company, Shanghai Xinchang Distribution Processing Service, is capitalised at Y130m ($1.5m).

● Toyo Tire and Rubber is to form a joint venture with Gencorp, the US chemical manufacturer, to sell vibration-control rubber parts used in vehicles, Kyodo reports.

The company is to be called GT Automotive. Gencorp will invest 60 per cent in the venture and Toyo 40 per cent.

● Malaysia's Hong Leong (Malaysia) has bought 20.3 per cent of Nanyang Press (Malaysia), for an undisclosed sum, Reuter reports.

Coles Myer expects improved year despite tough conditions

By Kevin Brown in Sydney

COLES MYER, the Australian retail chain, yesterday forecast improved profits for this year, in spite of a slowdown in the economy, provided trading during December is satisfactory.

Mr Brian Quinn, chairman, told the annual meeting that trading for the first four months of the year had been difficult, and predicted that conditions would remain tough until mid-1991.

"Providing there are no major shocks, we are confident of a satisfactory December," Mr Quinn said. "If this can be achieved, then I forecast an improved profit performance over the full 12 months of the current year."

Coles Myer reported a 7 per cent fall in net profits to A$365.1m (US$281m) for the year to the end of July. The shares closed 2 cents lower yesterday at A$8.28.

● Mr Pat Goodman, chairman of Goodman Fielder Wattie, the Australasian food group, was re-elected with 92.5 per cent of the votes in a poll forced by minority shareholders, the company said.

The poll followed a show of hands at the annual meeting on Monday, when some shareholders voiced criticism of GFW's record net loss of A$85.6m last year. A proposed share option scheme for executives was also blocked.

Toshiba rises 12% on strong demand at home

CONSOLIDATED net income at Toshiba, the Japanese electrical group, rose 12 per cent to Y70.7bn ($552m), or Y20.87 a share, in the six months to September 30 on sales up 13 per cent to Y2,268.4bn, writes Ian Rodger in Tokyo.

Strong domestic demand for the group's products, and rapid sales growth of laptop and notebook computers, accounted for the good result.

Sales of laptop and notebook computers in the full year are expected to reach Y284bn, 42 per cent up on last year.

Nevertheless, a weakening world economy and soft markets for semiconductors have led the group to revise down its forecast net income for the full year to Y140bn from its earlier forecast of Y145bn. This would still represent a 6.2 per cent rise over last year.

● Pioneer Electronic, the Japanese audio equipment maker, has acquired the Japanese rights to films that US producer Carolco Pictures is currently producing and those to be made in the future.

The agreement initially gives Pioneer rights to seven Carolco films, including the sequel to the blockbuster Terminator.

In June, Pioneer, a US subsidiary, purchased about 10 per cent of Carolco and acquired worldwide laser disc rights to Carolco's films for $60m.

A Pioneer official would not disclose the cost of the current agreement. It gives Pioneer all rights to current and future films including theatre, video cassette and laser disc distribution and cable broadcast in Japan.

Gas businesses slip as oil price rises and yen falls

By Emiko Terazono in Tokyo

TWO LEADING Japanese gas companies saw sharp downturns in the first half due to rising oil prices and the yen's depreciation against the dollar.

Tokyo Gas saw pre-tax profits plummet 67.9 per cent to Y3.1bn on sales of Y321.9bn ($2.5bn), up 2.3 per cent. Osaka Gas saw pre-tax profits fall to Y6.4bn, a drop of 29.5 per cent, on sales of Y255.6bn, up 3.1 per cent.

The two companies, announcing unconsolidated results for the six months ending September, reported moderate sales gains reflecting buoyant industrial demand. But because of the warm winter, household gas consumption was sluggish.

Tokyo Gas expects the rise in costs of materials, such as liquefied gas, to depress profits for the second half. For the full year, the utility forecasts a sales increase of 4.5 per cent to Y739bn, with profits declining 36.6 per cent to Y32bn.

The company said it had no immediate plans to increase gas prices in spite of the plunge in profits.

Osaka Gas forecasts an annual sales increase of 4.6 per cent to Y585bn, and a pre-tax profit fall of 29.4 per cent to Y30bn.

Electricity companies' net profit climbs in first half

FIRST-HALF net profits at Japan's two largest electric companies have risen, AP-DJ reports from Tokyo.

Tokyo Electric Power, the world's largest private electric company, said that first-half unconsolidated net profit rose 10.3 per cent to Y36.98bn ($289m) from Y33.54bn a year earlier.

However, pre-tax profits fell 4 per cent to Y75.16bn in the period from Y78.35bn a year earlier.

Japan's second largest electric company, the Osaka-based Kansai Electric Power Co, said net profit rose 58 per cent as the hot, dry summer forced it to rely less on hydropower – and charge a premium for the extra fuel it burned to meet extra demand during the hot weather.

Pre-tax profit rose 15.9 per cent in the six months, to Y65.45bn from Y56.49bn a year earlier.

Both companies said the higher oil prices resulting from the Gulf crisis had little effect on earnings, but that second-half earnings would show some impact.

Tokyo Electric said per-share profit rose to Y27.61 from Y25.55 a year earlier. It planned to pay an unchanged Y25-a-share dividend.

Kansai Electric's per-share profit rose to Y34.31 from Y22.17 a year earlier.

It also planned to pay an unchanged dividend of Y25 a share.

Restructure lifts Canada Packers' earnings

By Bernard Simon in Toronto

CANADA PACKERS, the Canadian food processor in the throes of a sweeping restructuring under the new ownership of Hillsdown Holdings of the UK, lifted earnings from continuing operations by 16 per cent in the third quarter.

Earnings climbed to C$12.6m (US$11m), or 19 cents a share, from C$10.9m, 17 cents, a year earlier. Sales dipped to C$907.5m from C$941.9m, due to the closure of a beef abattoir.

The figures reflect the consolidation of Canada Packers with another Hillsdown subsidiary, Maple Leaf Mills. The two companies' operations were combined on June 30 when Hillsdown completed its purchase of a 56 per cent stake in Canada Packers.

For the first nine months of the year, earnings from continuing operations rose to C$26.2m from C$23.7m. Sales increased by 1.8 per cent to C$2.81bn.

Since the takeover, Hillsdown has cut a swathe through Canada Packers, previously controlled by the McLean family of Toronto and widely viewed as a stodgy company in need of a shake-up.

Several senior executives, including the president, have left the company, and the head office workforce has been reduced to give operating divisions more responsibility.

The processed foods group has been split into three separate units, and the company has put its edible oils and dairy divisions up for sale.

The flour and grain businesses are being rationalised through a joint venture with John Labatt, a leading food and beverage company. The company earlier completed the sale of its interest in a British meat operation to its partner, J Sainsbury.

Canada Packers said earnings at its biggest division, fresh meats, improved in the third quarter but were still "far from satisfactory". It said the weak performance was likely to continue until the industry-wide problem of excess capacity was resolved.

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Goldman Sachs International Limited

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August, 1990

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November, 1990

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FT LAW REPORTS

Officers' severance pay claim fails

TACOMA CITY
Court of Appeal (Lord Justice Dillon, Lord Justice Ralph Gibson and Lord Justice Leggatt): November 14 1990

SEVERANCE PAY under National Maritime Board terms incorporated into a crew agreement, is payable to a ship's officer only after two years' continuous employment by the ship-owning company or by companies associated with it, not by common management, but through control by shareholding. But if severance pay is due, it is not "wages" giving rise to a lien on the ship with priority over mortgagees, in that it is not part of the value of current service but is paid in respect of past service.

The Court of Appeal so held when dismissing an appeal by 20 plaintiffs in an action *in rem* against Tacoma City, Barclays Merchant Bank Ltd intervening as mortgagee. The shipowner, Reardon Smith Navigation Co Ltd (RSN) took no part in the proceedings.

LORD JUSTICE RALPH GIBSON said the claims arose out of the collapse in 1985 of the Reardon Smith Line and its *subsidiary companies*. The plaintiffs were all officers who served aboard Tacoma City. The shipowner, RSN, was one of the companies in the group.

The Reardon Smith group of companies announced at the end of May 1985 that they were ceasing to trade. The bank as *mortgagee issued a writ in rem* against Tacoma City on June 4 1985, and she was arrested. Leave was given to the bank to pay off the master, officers, and crew, and the ship was ordered to be sold. The master and officers were paid their wages by the bank. The ship *was sold for $1.54m. The Court* declared the mortgage to be valid and gave judgment to the bank for $1.11m.

The plaintiffs claimed severance pay totalling £119,662. If they were entitled to maritime liens in respect of severance payment, each would recover in full in priority to the bank. If the plaintiffs did not have maritime liens, the bank would take the whole of the proceeds *of sale and the plaintiffs* would recover nothing.

Mr Justice Sheen dismissed the claims. The plaintiffs now appealed.

In 1917 the National Maritime Board, a representative body, was set up to secure co-operation between employers and employees of the British Mercantile Marine. The established service agreement currently in force was the 1973 agreement. An NMB redundancy payments agreement replaced the statutory scheme instituted by the Redundancy Payments Act 1965. After the dramatic decline of the British fleet in the late 1970s inadequacies in the NMB scheme became appreciated. Unions and employers negotiated an NMB "Company Severance Payments Agreement" for masters, officers and cadets. It was incorporated into company service contracts.

It was expected by the parties to the collective agreements that shipowners would continue to employ officers and seamen on separate crew agreements on each voyage. That was what happened between the plaintiffs and the Reardon Smith group.

Clauses 1 and 3 of the Companies Severance Payment Agreement provided for severance payments to masters, officers and cadets who "became surplus to the requirements of the shipping company . . . that employs them" and who had a "minimum of *two completed years of company* service with that company". Clause 7 provided that for the purposes of the agreement "service with a company includes service with any associated company".

The crew agreement on which the plaintiffs relied began *at Cardiff on October 22* 1984. It incorporated the NMB agreements, including that on Company Severance Payments.

The main issue was whether the plaintiffs had proved a right to severance payment.

The first question was to what "shipping company" did *the Severance Payment Agreement* refer in "surplus to the requirements of the shipping company" and "company service"?

In the Severance Payment Agreement as incorporated in the crew agreement, "the shipping company" must be a reference to the owner, RSN, as "the shipping company that employs" the officers.

It followed that the right to severance payment arose on an officer's becoming "surplus to the requirements of" RSN. That right was conditional on his having a minimum of two completed years of "company service with that company".

As to the meaning of "company service", the question was considered by reference to the fourth plaintiff, Mr Prosser.

Mr Prosser had a company service contract with a management company which was a subsidiary within the group. He was signed off Tacoma City on June 21 1985. Before joining the ship on February 2 1985, he had served on a number of ships managed by that company. His last ship before Tacoma City was the Skeena, which was managed by the management company but owned by a Mexican company unconnected with the group.

The bank submitted that Mr Prosser had not a minimum of "two completed years company service" with RSN. He served in Tacoma City less than five months. The plaintiffs submitted that service in the Skeena and other ships was service with "an associated company" within clause 7.

The only connection between the companies which owned those vessels and employed Mr Prosser, and RSN which owned Tacoma City, was that all the ships were managed by the management company.

Mr Brenton for the bank submitted rightly that the Severance Payment Agreement was negotiated and agreed as a collected agreement against the background of the statutes relating to redundancy payments, and that "associated company" was intended to refer to association through control by shareholding.

Service with one shipowning subsidiary of a group would be capable of being "company service" with an "associated company" under the Severance Payments Agreement incorporated into a crew agreement made by another shipowning subsidiary within the group. The connection of common *management of ships* was not sufficient to make a wholly-owned subsidiary of the Mexican corporation an "associated company" of RSN.

Mr Prosser had therefore not made out his claim to severance payment under the crew agreement with RSN, on the ground that he did not have the necessary two years of service with RSN or any associated company.

Miss Bucknall for the plaintiffs acknowledged that if that point was decided against Mr Prosser, the other plaintiffs could not succeed.

If the plaintiffs had been entitled to severance payments against RSN, the question was whether their claims would have constituted "wages" so as to give rise to maritime liens on a ship.

Mr Justice Sheen concluded that claims to severance payments did not qualify as "wages".

Miss Bucknall argued that any sum was "wages" giving *rise to a maritime lien if promised to be paid in consideration* of service in a ship.

That could not be accepted.

If, for example, payment of a pension on retirement age was promised by a shipowner by terms incorporated in crew agreement to be taken as a lump sum or by future periodical payments, that lump sum or the value of the pension or even the sums which fall due at time of termination of *employment*, though consideration for services, would not fall within "wages".

All the additions to wages, payable under special contracts, "which the mariner can be fairly said to have earned by his services" (per Chief Justice Worley in *The Arosa Star [1959] Lloyd's Rep 396, 403*) which had been accepted as giving rise to liens, had been claims which could be regarded as items in the quantification of the value of the current service in the ship. Pension, as contrasted with contributions towards pension fund, was not part of the agreed value of the current service but was reward for past service. A pension, or a medical severance payment, or a redundancy payment were not part of the seafarer's current service, but were paid in respect of earlier service.

Severance payments under the NMB agreement were outside the concept of "wages" and provided no basis for maritime liens.

The appeals were dismissed.

Appeals in respect of claims to wages in lieu of notice were also dismissed, on the ground that the *relevant agreements* were for voyages of stated duration without express or implied term as to notice for earlier termination.

Lord Justice Dillon and Lord Justice Leggatt gave concurring judgments.

For the plaintiffs: Belinda Bucknall QC (Ingledew Brown Bennison & Garrett).

For the bank: Timothy Brenton (Norton Rose).

Rachel Davies
Barrister

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INTERNATIONAL CAPITAL MARKETS

Citicorp unit to change structure of securitisation

By Tracy Corrigan

CITICORP Credit Services, the US bank's credit card arm, plans to change the structure of its securitisation programme to allow a more flexible approach to borrowing.

The Citicorp unit has already issued $16.4bn of credit card-backed bonds since the start of its securitisation programme two years ago, and plans to launch a further $6bn to $8bn of asset-backed debt in 1991.

Securitisation allows issuers to remove assets from the balance sheet by repackaging receivables and selling them as bonds.

The shift in Citicorp's pat*tern of issuance* reflects widespread concern that bond markets are likely to be less receptive to big benchmark issues in the coming year, perhaps precipitating a partial reversal of the trend among many leading borrowers over the past few years to issue in large size, sometimes globally.

Citicorp is setting up a "master trust", a large and homogeneous pool of receivables ready to securitise. Previously, a separate pool had to be created for each new issue.

"The master trust will allow us to tap issues out according to the level of demand," says Mr Charles Wainhouse, vice-president at Citicorp Credit Services. It will allow Citicorp to be more opportunistic, by speeding up the issuing process, and should permit fungible issues.

About $7bn of receivables will be placed in the master trust initially, with more to be added as the credit card business grows further.

Instead of having a claim on a particular set of receivables, investors will now be able to claim a portion of the cash*flow of the whole pool.*

The same types of excess servicing and credit enhancement will be used, so the bonds will still have a Triple-A credit rating.

There are also plans to diversify by tapping non-dollar markets such as the Ecu bond market, if accounting and regulatory hurdles can be overcome.

But Citicorp is not turning its back on the concept of global issuance. "We are still global fans," insists Mr Wainhouse, who says the structure has allowed the company to broaden distribution substantially during its two years as an issuer.

He says that Citicorp will *still rely principally on* its global programme in 1991, but accepts that this is a "distinctly poor time for the dollar".

In fact, Citicorp's last credit card-backed Eurobond had a rough ride, widening 20 basis points from its launch spread of 99 basis points above the comparable US Treasury. The five-year deal was among the victims of a dramatic flight to quality in the wake of the Gulf crisis, as fears of recession loom. However, spreads have recently improved, and that issue is now trading at about 94 basis points off.

Citicorp achieved a level of just under 50 per cent of primary placement of its global issues outside the US in 1990. Citicorp has now completed its funding programme for this year, having launched 11 transactions totalling just inside $9.5bn of debt in 1990, about $2bn more than last year.

Spanish bank links up with US partners

By Peter Bruce in Madrid

BANCO Hispano Americano, one of Spain's largest commercial banks, has formed an investment *group* in Madrid with two US partners, Rockerfeller & Co and Dillon, Read.

The new group, Corporacion Borealis, will be capitalised initially at $60m. Hispano will take 30 per cent and two other Spanish shareholders with close links to the bank, the Ferrovial construction group and Abengoa holding company, will each own 10 per cent.

Rockerfeller & Co will take *30 per cent, with Dillon, Read* and Travelers Corporation, the big US insurer, taking 10 per cent. The remaining 10 per cent will go to SIFCORP, a Saudi-based investment bank.

Borealis plans to make "strategic investments in quoted and unquoted Spanish and Portuguese companies".

Correction
Obligentia Finance

OBLIGENTIA Finans of Sweden is the part of the Obligentia group that has been put into receivership not Obligentia Finance of the UK, as wrongly reported on November 22.

Treasuries fluctuate as retail demand peters out

By Patrick Harverson in New York and Deborah Hargreaves in London

US GOVERNMENT bonds traded in a narrow range yesterday, fluctuating between minor gains and losses. The market had opened lower in the wake of selling on overseas markets, but rallied mid-morning on steady buying by individual investors before drop*ping to end marginally* weaker as retail demand petered out.

Treasury issues at the long end had fallen overnight on foreign markets because of renewed concern about the Gulf crisis. However, the strength of sentiment in the US market – where the focus has switched for the time being from the Middle East to the weak state of the US economy – allowed the long bond to stage a modest rally.

At the close the benchmark 30-year Treasury bond was down just ⅛ at 103¾, yielding 8.431 per cent. At the short end the two-year issue was virtually unchanged at 100⅝, carrying a yield of 7.549 per cent.

Federal funds traded up early on, moving from just above the Federal Reserve's target rate of 7¼ per cent at the opening to 7¾ per cent. The Fed responded to the rise with more overnight repurchase agreements, which eventually helped push Fed funds down to 7½ per cent.

GOVERNMENT BONDS

■ GILT-EDGED securities added six ticks in price in the immediate aftermath of Mr John Major's victory in the Tory party leadership contest. But traders did not expect the market's reaction to be euphoric. Prices have seen a four-point rise since Mrs Margaret Thatcher announced her decision to resign last week and much of the political news *is now factored into gilts* prices.

Earlier in the day, the market was held back by a wave of profit-taking that followed the strong performance over the last couple of days. Futures prices were pushed down from a strong opening level of 87.16 to a low of 87.04 at one point, but recovered later to 87.09. In the cash market, the benchmark bonds maturing in 2003/*07 closed at 105⅜* up about a ½ of a point on the day.

Gilts traders are now asking themselves when there will be a cut in base interest rates. Mr Major was the favoured candidate in the city since his economic policies offer some continuity.

■ THE JAPANESE government sold Y800bn of bonds yesterday carrying a 6.9 per cent coupon. The amount of bonds auctioned was slightly higher than the market had expected but this was compensated for by the slightly more generous coupon which was expected to attract good institutional demand.

The prices at the auction ranged from 100.20 to 100.50 with a mid-price expected to be fixed at 100.35. This is a level which should find good placement with institutions which are currently showing renewed interest in government bonds.

The trading range for bonds was more subdued than on Monday and the yield on the key 119 bond moved between 7.31 per cent and 7.45 per cent.

Traders saw some hedge selling in the futures markets shortly after the auction and the 119 closed in Tokyo at 7.39 per cent. *In London, activity* was slow and the bonds traded between 7.4 and 7.38 per cent.

■ THE GERMAN bond market saw much less volatile trading yesterday as prices stabilised at a lower level after a firm opening to the futures market. Futures prices opened at 83.30 but quickly drifted down to 82.97 on the back of higher oil prices and closed at 83.06.

More price data that were released in the market yesterday gave a positive outlook for inflation. North Rhine Westphalia was the third region to publish preliminary retail price statistics for November and showed a drop of 0.1 per cent in the rate of inflation.

This looks like adding up to a rate of 3 per cent for German inflation for the full year, which is better than some projections had showed.

Import prices for October showed a jump of 1.3 per cent, but this was almost wholly attributable *to the rise* in the oil price and analysts saw the underlying figure as a positive one.

The rally in German bonds at the beginning of this week is now starting to run out of steam as rising oil prices dominate investors' minds and traders are not looking for much more upward movement this week.

In the cash market, the 9 per cent 10-year Bund was marked down by 2 pfennigs to 101.11 still offering a yield of 8.83 per cent.

● Foreign stockbrokers have responded favourably to the Stock Exchange of Singapore's (SES) offer of 100 per cent *membership* of the exchange, Reuter reports from Singapore.

SES executive vice-president Mr Kok Kar Wing said: "We did not fix a closing date for applications. But response so far has been good, based on the number of foreign brokerages who have indicated a firm interest."

He said the SES has set up a special committee of five members, including the chairman Mr Edwin Barker, to decide the price of the seat and parties to be admitted.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-24	-04/32	11.13	11.27	11.73
		9.000	03/00	89-16	-09/32	10.80	11.09	11.40
		9.000	10/08	87-26	-11/32	10.51	10.74	10.94
US TREASURY *		8.500	11/00	101-15	-01/32	8.27	8.33	8.64
		8.750	08/20	103-24	-1/32	8.43	8.49	8.78
JAPAN	No 119	4.800	6/99	86.3452	+0.164	7.41	7.57	7.92
	No 129	6.400	03/00	95.9139	+0.001	7.13	7.35	7.61
GERMANY		9.000	10/00	101.0500	-0.150	8.83	8.83	8.97
FRANCE	BTAN	9.000	11/95	96.7537	+0.038	10.12	10.13	10.19
	OAT	8.500	03/00	90.8300	-0.040	10.08	10.11	10.28
CANADA *		10.500	03/01	99.9550	-0.100	10.51	10.54	11.09
NETHERLANDS		9.250	11/00	101.1000	-0.080	9.08	9.09	9.19
AUSTRALIA		13.000	07/00	104.0787	+0.229	12.26	12.28	13.41
BELGIUM		10.000	08/00	100.0500	-	9.74	9.69	9.80

London closing, *denotes New York closing session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 27

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	100⅝	101	[illegible]	8.65
ALBERTA PROVINCE 9 3/8 95	600	102⅞	103	[illegible]	8.49
AUSTRIA 8 1/2 00	400	96⅛	97	[illegible]	9.05
BANK OF TOKYO 8 3/8 96	150	[illegible]	97⅛	[illegible]	[illegible]
BELGIUM 9 1/8 92	400	101⅛	101⅞	[illegible]	8.32
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 9/4 LFr	[illegible]	[illegible]	[illegible]	[illegible]	10.15
KREDIETBANK 7 93 LFr	[illegible]	[illegible]	[illegible]	[illegible]	10.09
WORLD BANK 8 96 LFr	[illegible]	[illegible]	[illegible]	[illegible]	9.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Further sections: DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. [illegible] CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

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هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

Leading houses snub Ecu issue from Crédit Foncier

By Simon London

THE ISSUE of Eurobond pricing and profitability proved controversial again yesterday, with several leading houses declining to participate in a Ecu125m deal for Crédit Foncier de France, the government-backed agency which finances housing and construction.

The borrower opted to add Ecu125m to its outstanding Ecu150m six-year issue, rather than opening a new line of paper, with Crédit Commercial de France and Swiss Bank Corporation as joint lead managers.

The new paper was priced at 96.70, with an informal agreement between the joint lead managers to sell paper at a fixed re-offer price of less 1⅞ bid. With full fees set at 1⅞, this arrangement offered co-managers a margin of just ⅛. A number of leading houses with a proven record in the Ecu sector declined to participate on such a thin margin.

An official at CCF said that it had placed about Ecu80m of the issue, while SBC took another Ecu40m. This left only Ecu5m to be placed by the co-lead managers. Under such circumstances, he said, an alternative structure would have been inappropriate.

Launched at 96.70, the new paper traded at less 1.83 bid, just inside full fees.

However, with primary market activity at a low level the whole issue of profitability looks set for a further airing. "The number of houses prepared to work for nothing has declined," commented one disgruntled syndicate manager.

Renewed supply of Eurodollar warrants from Japanese companies continued yesterday, with three issues totalling $360m launched into the international bond market.

INTERNATIONAL BONDS

Buoyed by anticipated upturn in activity during December, Salomon Brothers now expects this year's average monthly issuance of Eurodollar warrant bonds to be higher than either 1987 or 1988, although well down on last year's levels.

For Japanese companies, Eurodollar warrant financing remains an attractive alternative to either straight equity finance or domestic yen warrant bonds. According to figures from Salomon, all-in issuance costs on Eurodollar warrant bonds amount to 4.5 per cent, against 5.2 per cent on comparable domestic issuance and up to 6.5 per cent on straight equity issuance.

The glut of new issues during August and September took some time for the market to digest, contributing to a period of depressed primary market activity. The few new issues which did come during the past six weeks have all traded well above issue price. The latest flurry of activity should restore equilibrium to the market, as investors are given a choice of warrants priced against the underlying stock prices now prevailing in Tokyo.

Of yesterday's issues, **Towa Real Estate's** $100m offering lead-managed by Nomura was marginally the best performer, trading up to 107 bid in late afternoon. However, Yokohama Rubber's $150m deal via Yamaichi and Dai-Ichi Chuo Kisen Kaisha's $110m deal via Daiwa also saw strong demand, trading up to 104 bid and 105½ bid respectively.

● The Commonwealth of Australia bought back Eurodollar bonds totalling $102.3m in the international bond market as a result of its tender offer, which closed on Monday.

● Procter & Gamble of the US is issuing $1bn of 9.36 per cent guaranteed employee stock ownership plan debentures due January 2021. Lead-managed by Merrill Lynch, the bonds are being launched at par to yield 95 basis points over US Treasury stock. The debentures have a pro-rata sinking fund that will begin to redeem the paper in June 2006, giving the issue an average life of 24.5 years.

The bonds are rated AA1 by Moody's Investors Service and AA-plus by Standard & Poor's.

Brussels braced for 'little bang' reforms

Tim Dickson examines the Belgian approach to deregulation in financial markets

EXCEPTIONS to Belgium's strict anti-gambling laws enable lotteries to flourish and roulette wheels to turn. But, as things currently stand, an options and financial futures market could conceivably be curtailed.

Clearing up this anomoly to pave the way for the new Belfox exchange next year is just one of many legislative changes to be voted through parliament in the next few weeks, transforming Belgium's much-vaunted financial reforms into concrete reality.

A straggler in the European stakes behind London, Paris and other lesser thoroughbreds, the Brussels bourse is finally being brought face to face with the structural changes taking place in the securities business worldwide and, as finance minister Philippe Maystadt put it earlier this year, "the competition which will result from the proposed EC directive on investment services".

Breaking the stockbroker monopoly in readiness for 1992, however, is only part of Mr Maystadt's "little bang". The intended beneficiaries of that change – the bankers who are gaining access to the newly-created societes de bourse – are at the same time having their own cosy practices challenged in an equally important and far reaching package of reforms to the government debt market.

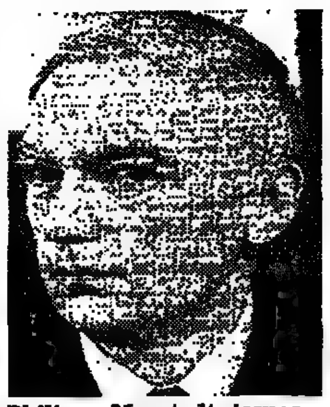
Under this plan the old "consortium" of banks which has traditionally subscribed to new issues has disappeared. Already, bonds have been successfully issued this year to private investors over the heads of the institutions and from next month a new system of "primary dealers" (to include the original consortium members) will be officially installed.

The basic aim is to create a proper secondary market in Treasury bills for the first time and through increased liquidity and tighter margins to cut Belgium's huge public sector borrowing costs.

One of the main themes of this year's tough negotiations over bourse liberalisation was the way existing stockbrokers successfully managed to defend their vested interests.

The new laws will as originally intended oblige them to incorporate as limited liability companies from January 1, more stringent capital adequacy rules will now apply, while an overall if as yet insufficiently understood surveillance role on intermediaries and on organised markets will be entrusted to Belgium's Banking Commission. But credit institutions and insurance companies will be allowed to buy 100 per cent of their shares.

Much to the irritation of certain news agencies, however, the revised laws enshrine the concept of limited market information as proprietary information for which the bourse can charge, while the original proposition for share transactions over BFr20m to be permitted to bypass the central market has been omitted from the final draft. While it is going to be difficult to police, the intense pressure to have all transactions in shares pass through the central market has paid off.



Philippe Maystadt: issues challenge to cosy practices

Some reduction in Belgian commissions – among the highest in Europe – has been agreed but for Mr Sebastian Scotney of London-based brokers Dillon Read the change does not go far enough.

The lobbying to turn an extremely decentralised market into a centralised market, without at the same time bringing in negotiability of commissions for the majority of trades, smacks of intermediaries wanting to "have their cake and eat it", he complains.

The big test for Brussels, of course, is to stem the flow of local business to other financial centres like Luxembourg and London. Therein lies the thinking behind Belfox, which should be operational in the spring and which will offer option contracts on the 10 most liquid Belgian stocks and a futures contract on Belgian government bonds.

This week's legislative package will also formalise the new rules for mutual funds, the vehicle which Belgian investors have traditionally used through Luxembourg to avoid the previously high rate of withholding tax on bank interest (by giving investors their return in the form of a tax free capital gain).

The first step was to allow Luxembourg mutual funds to be marketed more openly in Belgium but now legislation for Belgian based funds (known as Bevaks) is to be introduced.

Another chapter of the new law deals with control of the two big state-controlled savings banks – Credit Communal and the CGER. But the main interest in the public sector is focused on the 14 primary dealers (among them French banks and Morgan Guaranty) designated from the end of January to bid for Treasury bills and the new form government bonds known as OLOs (obligations lineaires).

In future the government plans to limit the issue of Treasury bills to weekly tenders of three and 12-month paper – thereby reducing the mass of different maturities offered in the past and encouraging the development of a more liquid secondary market.

In the bond market, the primary dealers will assume the secondary market role of the government-sponsored Fonds des Rentes (Bond Fund), with the twin aims again of increased liquidity and lower nominal interest rates on Belgian's huge public sector debt.

The more cynical observers understandably see Mr Maystadt playing the unashamed role of bond salesman for a country whose interest charges come to around 11 per cent of GNP and whose overall outstanding debt amounts to almost 130 per cent of GNP.

The policy could pay off, however, if the sort of surpluses which Belgium has been generating on its capital account this year – a BFr70bn improvement since the third quarter of 1989 – can continue to be matched by savers. The differential between short-term D-Mark and Belgian franc interest rates has already fallen from 150 basis points in 1988-89 to closer to 50 points today.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Yokohama Rubber(a)♦	150	(4⅞)	100	1994	2¼/1½	Yamaichi Int.
Daiichi Chuo K'Kaisha(a)♦	110	(4⅞)	100	1994	2¼/1½	Daiwa Europe
Towa Real Estate(a)♦	100	(4⅞)	100	1994	2¼/1½	Nomura Int.
ECUs						
Cr.Foncier de France(f)◆	125	9	96.70	1996	1⅞/1¼	CCF
D-MARKS						
Int'fin.Cr.Nat.NV.(b)◆	150	(b)	101¼	1995	1⅝/1¼	Daiwa Europe GmbH
Tada Corporation Co.(a)♦	50	(5¼)	100	1994	2¼/1½	Commerzbank
Gastec Service(a)♦	45	(5¼)	100	1994	2¼/1½	Nomura Europe GmbH
SWISS FRANCS						
Daito Trust Const.(c)★★§	200	6	100	1995	-	Nomura Bk (Switz)
Lan'kredbk.B.Wue'brg(a)★★◆	75	7½	101⅝	1994	-	Credit Suisse
Paltac Corp(e)★★§	30	6	100	1995	-	Wirtschafts & Privatbk.
Lihit Ind.(d)★★♦	20	5⅛	100	1995	-	BSI
LIRE						
Credit Lyonnais(a)◆	150bn	13⅛	101.85	1994	1⅝/1¼	Banco Di Roma
YEN						
Monte Dei Paschi(g)◆	70bn	8	101¼	1992	1⅛/⅝	Sanwa Int.

★★Private placement. §Convertible. ♦With equity warrants. †Floating rate note. ◆Final terms a)Non callable. b) Coupon pays 17¼% on 27/2/91, then 8% semi-annually, thereafter. c) Put option 31/3/93 at 107⅞% to yield 8.982%. Coupon payable semi-annually. d) Callable 20/6/92 at 101¾% decreasing by ¼% semi-annually. e) Put option 31/3/93 at 107⅞% to yield 9.009%. Coupon payable semi-annually. f) Fully fungible with existing Ecu150mn deal launched July 1989. g) Short first and second coupon: 15/3/91 and 14/12/91.

Debt market recovery boosts demand for global issues

By Deborah Hargreaves

THE international equity market has started to attract a wider variety of issuers as companies gain more confidence from the recovery in world bond markets and the recent stability in oil prices.

Two key UK transactions which are being sold worldwide are expected to buoy investor confidence with their success. The £550m rights issue for Eurotunnel has met with better demand than many market watchers had expected and the £5bn privatisation of the UK electricity companies will probably meet with brisk demand from overseas investors.

INTERNATIONAL EQUITY ISSUES

Around £1bn of the electricity sale will be placed abroad with 38 per cent of this sold in the US where investors have been keen buyers of UK privatisation deals in the past.

Investors are showing they have selective interest in quality blue-chip names should these companies feel comfortable enough with current stock price levels to come to market.

This was evident with the sale of about $420m of shares in Wolters Kluwer, the Dutch publishing company, last week in a secondary offering for which Goldman Sachs reports broad-based support.

The Wolters deal was a fairly large transaction to hit the international market in its current state, but demand for the shares came from Europe, the Far East and the US. The shares have held their price level in the after-market after being priced at Fl 48.

In the US, natural resource companies continue to take advantage of the rise in the oil price to place shares internationally. Two oil and gas firms are bringing dual tranche issues of equity which include some international sales.

Columbia Gas Systems is bringing a $275m deal through Morgan Stanley and Cross Timbers Oil is selling $105m in equity with pricing expected next month.

In demonstrating the desire by investors for quality names, Lehman Brothers points to its placement of 4m shares in Con-Agra, one of the biggest US food companies, in the secondary market last week. The placement for $140m of shares was made in four days with the shares sold at $33¼ and now trading at $34⅛.

In addition, Samsung, the Korean group, has issued $40m in depositary receipts to be sold to US and European investors. The receipts will be priced in mid-December following a roadshow to be organised by the company.

International investors are also being asked to buy into a $50m international tranche of shares for a Mexican glass company, Vitro Flotado, which is raising money for the expansion to its plant under the auspices of the International Finance Corporation, an affiliate of the World Bank.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday November 27 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Nov 26 Index No.	Fri Nov 23 Index No.	Thu Nov 22 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (195)	727.59	+0.4	14.73	6.55	8.30	34.18	724.40	731.17	714.17	865.90
2 Building Materials (26)	991.33	+0.3	14.64	6.16	8.40	41.09	988.71	997.42	964.19	1031.44
3 Contracting, Construction (34)	1181.64	+0.5	15.89	6.78	8.17	59.48	1175.74	1188.14	1151.79	1392.39
4 Electricals (10)	1918.11	+0.6	14.63	7.02	8.36	99.22	1906.09	1921.54	1886.96	2427.14
5 Electronics (26)	1596.54	-0.8	10.57	5.38	12.88	60.29	1609.33	1621.98	1613.12	1899.25
6 Engineering-Aerospace (8)	400.20	+1.0	16.76	6.09	7.16	17.27	396.41	409.53	404.36	0.00
7 Engineering-General (47)	361.62	+0.1	15.99	7.08	7.55	18.02	361.39	363.48	353.88	0.00
8 Metals and Metal Forming (8)	401.23	+1.3	23.09	8.51	5.32	24.83	396.11	398.32	389.08	453.06
9 Motors (13)	293.64	+0.7	17.01	8.19	6.85	17.45	291.56	294.16	286.06	357.49
10 Other Industrial Materials (23)	1244.71	+1.1	13.51	6.55	8.56	62.04	1230.97	1238.51	1206.25	1633.51
21 CONSUMER GROUP (178)	1211.54	—	10.09	4.23	12.28	35.49	1211.44	1222.58	1205.43	1260.74
22 Brewers and Distillers (22)	1543.43	-0.5	10.26	3.84	11.80	33.88	1550.69	1564.42	1525.00	1425.98
25 Food Manufacturing (19)	1022.33	+0.4	11.32	4.81	10.90	31.63	1018.64	1025.94	1017.28	1099.95
26 Food Retailing (16)	2234.19	-0.8	9.89	3.32	13.19	58.72	2251.31	2259.89	2262.40	2254.14
27 Health and Household (18)	2407.01	+0.3	7.39	3.15	16.05	59.14	2399.47	2436.36	2405.68	2591.31
29 Leisure (32)	1230.31	-0.2	12.40	5.40	9.61	44.64	1232.41	1240.66	1219.66	1560.70
31 Packaging & Paper (12)	511.50	+0.2	12.59	6.80	9.76	23.79	510.42	508.06	502.57	535.60
32 Publishing & Printing (13)	2972.47	+0.9	11.09	6.32	10.56	139.88	2946.01	2950.59	2893.35	3652.29
34 Stores (34)	830.25	+0.1	10.30	4.39	12.62	25.63	829.63	840.65	828.02	772.44
35 Textiles (12)	433.89	+1.1	13.61	8.18	9.31	26.32	429.11	426.93	422.45	498.56
40 OTHER GROUPS (106)	1000.76	—	12.55	5.75	9.67	33.65	1000.41	1010.07	985.37	1123.49
41 Agencies (14)	923.86	+0.3	11.55	3.63	10.49	23.93	921.37	941.56	912.16	1512.39
42 Chemicals (24)	1059.81	—	12.79	6.36	9.23	50.79	1059.67	1063.86	1040.98	1189.43
43 Conglomerates (14)	1309.35	+0.9	12.96	7.65	9.26	41.19	1298.02	1308.91	1288.03	1640.07
44 Transport (15)	1864.26	+0.7	13.79	5.47	8.95	72.05	1852.08	1862.90	1829.93	2156.32
46 Telephone Networks (3)	1149.30	-0.6	11.64	4.39	11.17	26.09	1156.82	1171.60	1134.11	1094.72
47 Water (10)	2121.90	-0.5	13.67	6.38	8.29	68.12	2131.84	2162.38	2092.08	0.00
48 Miscellaneous (26)	1515.71	+0.1	12.36	5.85	9.41	63.59	1514.06	1525.35	1492.47	1844.63
49 INDUSTRIAL GROUP (479)	1029.97	+0.1	11.87	5.21	10.32	35.60	1028.83	1038.47	1018.43	1132.67
51 Oil & Gas (21)	2358.08	+0.6	9.49	5.39	13.76	95.39	2343.85	2338.12	2309.11	2244.31
59 500 SHARE INDEX (500)	1138.76	+0.2	11.50	5.24	10.74	40.42	1136.62	1145.18	1124.29	1225.66
61 FINANCIAL GROUP (102)	735.82	+1.2	—	6.48	—	34.02	727.43	731.50	717.52	797.05
62 Banks (9)	794.01	+1.4	20.60	7.26	6.36	42.00	782.84	782.57	765.41	828.04
65 Insurance (Life) (7)	1310.24	+1.2	—	5.86	—	55.82	1294.21	1312.90	1299.79	1345.78
66 Insurance (Composite) (6)	647.86	+2.2	—	6.60	—	32.08	633.99	640.66	624.36	673.53
67 Insurance (Brokers) (8)	976.37	+0.6	7.75	6.59	16.90	48.39	970.79	976.61	960.99	1111.87
68 Merchant Banks (7)	355.41	+0.3	5.46	5.75	24.44	14.28	354.43	351.73	347.27	443.88
69 Property (44)	983.52	+0.2	7.53	4.97	17.55	30.55	981.69	993.80	977.38	1150.08
70 Other Financial (21)	249.28	-0.5	11.34	7.23	11.33	13.00	250.58	249.84	246.53	314.89
71 Investment Trusts (70)	1014.13	+0.2	—	3.97	—	28.74	1012.15	1011.83	1007.40	1244.17
91 Overseas Traders (5)	1181.57	-0.7	12.08	7.82	9.85	70.90	1190.44	1203.58	1188.60	1423.38
99 ALL-SHARE INDEX (677)	1038.59	+0.3	—	5.40	—	38.48	1035.23	1042.54	1023.82	1121.52

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 26	Nov 23	Nov 22	Nov 21	Nov 20	Year ago
FT-SE 100 SHARE INDEX♦	2159.5	+7.6	2166.1	2149.5	2151.9	2170.5	2127.9	2126.3	2115.2	2242.0

FIXED INTEREST

PRICE INDICES	Tue Nov 27	Day's change %	Mon Nov 26	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	120.44	-0.03	120.47	-	10.71
2 5-15 years	127.68	-0.15	127.87	-	11.95
3 Over 15 years	129.09	-0.21	129.36	-	10.78
4 Irredeemables	144.74	+0.07	144.64	-	13.46
5 All stocks	127.22	-0.11	127.36	-	11.55
Index-Linked					
6 Up to 5 years	158.01	+0.04	157.94	-	3.04
7 Over 5 years	145.21	-0.08	145.33	-	3.45
8 All stocks	146.05	-0.07	146.16	-	3.42
9 Debentures & Loans	100.79	+0.10	100.70	-	10.99
10 Preference	73.41	+0.26	73.22	-	6.44

AVERAGE GROSS REDEMPTION YIELDS		Tue Nov 27	Mon Nov 26	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.49	9.43	10.18
2	15 years	10.32	10.28	9.80
3	25 years	10.37	10.33	9.71
4 Medium Coupons	5 years	10.88	10.85	11.26
5	15 years	10.75	10.71	10.22
6	25 years	10.66	10.63	9.84
7 High Coupons	5 years	11.02	10.99	11.40
8	15 years	10.94	10.92	10.41
9	25 years	10.88	10.86	9.98
10 Irredeemables†		10.56	10.57	9.77
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.71	3.72	3.83
12 Inflation rate 5%	Over 5 yrs.	4.12	4.12	3.75
13 Inflation rate 10%	Up to 5 yrs.	2.42	2.43	2.95
14 Inflation rate 10%	Over 5 yrs.	3.94	3.93	3.55
15 Debs & Loans	5 years	13.32	13.49	12.77
16	15 years	12.87	12.91	12.39
17	25 years	12.54	12.54	12.05
18 Preference†		12.84	12.87	10.73

♦Opening index 2156.8; 9 am 2149.5; 10 am 2158.5; 11 am 2160.7; Noon 2162.8; 1 pm 2165.6; 2 pm 2163.7; 2.30 pm 2164.2; 3 pm 2160.6; 4.10 pm 2159.3; (a) 12.20pm (b) 9.00am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. CONSTITUENT CHANGES (27/11/90): Addition: Stanley Leisure Organisation (29). Deletion: Lowe Group (41).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	59	25
Corporations, Dominion and Foreign Bonds	4	4	13
Industrials	326	266	957
Financial and Properties	131	111	502
Oils	25	16	50
Plantations	3	1	6
Mines	15	40	97
Others	58	47	101
Totals	564	544	1,751

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted Securities market. * Third Market. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings Nov. 26
- Last Dealings Dec. 14
- Last Declarations March 7
- For settlement March 18

For rate indications see end of London Share Service

Calls in Aviva Pet., Amstrad, Berisford Intl., Premier Cons., Tuskar Res. and Whitegate Leis. Put in Brent Walker. Put and call in Amber Day.

LONDON TRADED OPTIONS

PROFIT-TAKING pushed values lower in the futures and options market yesterday before prices recovered during the afternoon. After the recent firm trend, local traders took the opportunity to capitalise on earlier gains.

The move was accelerated by a lack of conviction in the underlying cash market, where sentiment failed to follow any direction ahead of the Conservative party leadership election result.

Proposals to establish a United Nations deadline for an Iraqi withdrawal from Kuwait had only a limited effect, while a steady trend in oil prices encouraged market attention to focus elsewhere.

Selling in the FT-SE futures contract saw the premium over the underlying market narrow to 20 points, before selling in the cash market saw the premium widen. However, trading was still futures led, and after a lack of follow-through from the early sell-off, values started to recover, followed by prices in the cash market.

At the close, the Footsie December contract showed a premium of 29 points over the underlying index, unchanged from yesterday. Volume was described as moderate at best, and was down from Monday's 6,109 as just 4,600 lots changed hands.

Traders said that the market was also considering the possibility of an early announcement on plans to extend trading on the Footsie contract to 17.30 GMT.

The extended trading session would be through the automated pit trading system, with a planned start date of February. The scheme is dependent on gaining approval from the London International Financial Futures Exchange board, although some traders have indicated that the board appears keen to see the trading time extended.

In options, there was some interest in British Gas (3,175 lots) and Rolls-Royce (1,023). Allied-Lyons (550) attracted interest after yesterday's release of interim figures. Other trading was confined to small amounts, mainly for private clients.

UK COMPANY NEWS

Sir Derrick Holden-Brown: all divisions increased margins Lydia van der Meer

All-round progress lifts Allied-Lyons to £286m

By Philip Rawstorne

ALLIED-LYONS, the drinks, food and retailing group, yesterday reported a 10 per cent rise in interim pre-tax profits as the first contributions flowed in from the £530m acquisition of Whitbread's spirits division and the £195m purchase of the US Dunkin' Donuts chain.

Pre-tax profits for the six months to September 15 rose from £260m to £286m. The result was within the range of City forecasts but an increase in tax charge to 30 per cent, with the prospect of a further rise next year, affected market sentiment. Shares fell by 17p to 481p.

Earnings per share for the first half rose 3.6 per cent from 22p to 22.8p. An increase in the interim dividend of 11 per cent to 6.27p (5.65p) is proposed.

Group turnover rose from £2.4bn to £2.5bn, and trading profits advanced from £319m to £373m.

Profits from wines and spirits increased by 24.5 per cent to £173m (£139m), and from beer and retailing by 10 per cent to £140m (£127m). Profits on the food business went up by 32.6 per cent to £57m (£43m).

Sir Derrick Holden-Brown, chairman, said that all divisions displayed strong trading performances and increased margins.

James Burrough, the former Whitbread spirits business, and Dunkin' Donuts had fully met expectations and would make a more important contribution in the second half.

In the wines and spirits division, both Ballantine's and Teacher's whiskies increased market share, Courvoisier enjoyed substantial growth, and Kahlua and Tia Maria liqueurs increased sales.

In beer and retailing, Allied Breweries achieved significant growth in sales volume and market share with Castlemaine XXXX, Lowenbrau and Tetley bitter. The supply agreement with Greenall Whitley would bring benefits from January, and in a full year would add 500,000 barrels to Allied's production.

Although pressure on consumer spending caused some trading down from branded catering chains to lower cost pub meals, the trend benefited the group's 85 Big Steak outlets.

After the sale of Embassy hotels, and other disposals, and the purchase of a 4 per cent stake in the company by Suntory, the Japanese drinks company, the ratio of debt to shareholder assets fell from 78 per cent to 72 per cent. Sir Derrick said: "It will fall further by the end of the year."

See Lex

Argyll beats analysts' forecast with 21% advance to £143m

By Maggie Urry

ARGYLL, the Safeway, Presto and Lo-Cost food retail group, confirmed the trend of supermarket group's results, with a 21 per cent rise in pre-tax profits to £143.1m in the 28 weeks to October 13. The profit figure beat analysts' best expectations, but the shares were unchanged at 242p.

The gain came on sales up 16 per cent to £2.47bn, including VAT. Operating profits were up 29 per cent to £134.9m, and the margin on sales excluding VAT rose to 5.8 per cent (5.2 per cent).

Mr Alistair Grant, chairman, said he was "confident of a pleasing outcome for the year."

The group had now completed the three-year phase during which many of the Presto stores had been converted to the Safeway format, following the takeover of Safeway in 1987, he said. The last conversion was completed in August. This also meant that the half-year profits contained no exceptional items, compared with a £6.8m debit a year ago.

Safeway's sales rose by 28 per cent, of which 19 percentage points came from new store openings and conversions. The other 9 percentage points from comparable stores included volume growth of 1 per cent.

Operating profits from Safeway were up 46 per cent to £102.5m as its margins rose from 5.2 per cent to 6 per cent.

Mr Grant said that the Safeway chain was now a more stable and much larger business. This allowed it to concentrate over the next three years on improving its infrastructure, such as electronic point of sale scanning in the shops.

It was "moving into a more competitive stance" on prices, Mr Grant said, although this did not mean a price war was breaking out. Safeway also aims to improve service levels in the stores and the own label products on offer.

Mr Grant was aiming for 15 per cent sales growth each year, with margin improvements coming from efficiencies, a better product mix and an improved product offer.

Alistair Grant: a more competitive stance on prices

From other activities, sales fell by 9 per cent to £670.8m and profits by 6 per cent to £31.4m because of the shift in some Presto stores into Safeway. This trend should also end now as the conversions finished, Argyll said. Lo-Cost sales were up 15 per cent on a comparable basis and the remaining Presto stores saw like-for-like sales gains in line with inflation.

The group's balance sheet still has a low level of gearing, although this is expected to rise to 20 per cent by the year end as the capital expenditure programme reaches £355m in the current year.

The group was spending about £30m during the year buying freeholds of some of its stores, which was costing money in the short term but was "a good investment."

Interest receivable of £8.2m (£13.9m) included £2.6m of dividends from Ahold and Casino, the two continental European food retail groups with which Argyll has arranged cross shareholdings, and there was a £1.6m (£1.4m) provision against possible supplemental interest on its convertible Eurobond. Interest capitalised was £6.5m (£5.1m). Profits included other income, largely property profits, of £1m (£2.1m).

Earnings per share were up 16 per cent on a 30 per cent tax charge to 10.6p, a slower rate of growth than in profits because of the issue of shares to Ahold and Casino. The dividend is also 16 per cent up at 2.85p.

See Lex

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FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, London SE1 9HL

Northern Foods enjoys investment pay-off

By Maggie Urry

NORTHERN FOODS, the yoghurt, recipe dishes, biscuits and pork pie maker, increased pre-tax profits by 18 per cent, from £40.3m to £47.4m, in its half year to end September, and saw its shares rise 4p to 354p in response.

The profit gain came on a sales increase of only 6 per cent to £567.6m (£535.3m). Operating profits were £48.2m (£41.3m) with the margin up from 7.7 per cent to 8.5 per cent.

Mr Christopher Haskins, the group chairman who takes a sceptical attitude to so-called healthy eating, said the results were the pay-off from the investment in recent years and the drive to improve efficiency. He said: "I am confident that we shall be able to report good progress over the year as a whole." Christmas trade was beginning although retailers left receiving stock later each year.

Mr Haskins said that about one-third of the group's turnover was to the four major food retail groups, with Marks and Spencer the largest customer. He said tying the fortunes to the supermarkets expansion in fresh foods and prepared dishes was the right strategy as retailing became more sophisticated. Further, the group had cut out about £20m of annual sales where margins were not satisfactory.

Acquisitions were likely in coming months, Mr Haskins said, and those would most probably be within existing business areas in the UK.

All four divisions increased profits and margins. The greatest profit improvement came in convenience foods, with operating profits up 41 per cent to £8.9m on sales 13 per cent higher at £126.9m. Even so, Mr Martin Clark, finance director, thought there was scope for increasing margins further as more work was put through the group's factories.

Sales of prepared meals – such as Thai Peanut Chicken Curry which Northern Foods makes for Marks and Spencer – were over 40 per cent up, Mr Clark said. Sales of filled rolls were buoyant and a £10m investment had been made in the group's sandwich factory.

The dairy division, which is the largest profit contributor, increased operating profits by 11 per cent to £22.3m on sales up 3 per cent to £221.5m. The margin now exceeds 10 per cent. The low level of sales growth was the result of the gradual decline in doorstep milk deliveries, although sales of milk in cartons to supermarkets were up by one-fifth. Prices for commodity products were weak, and profits there fell slightly.

The meat group, which included Pork Farms and Bowyers, saw sales up 7 per cent to £137.2m and operating profits ahead 14 per cent to £10.6m. A small contribution came from Palethorpes, a meat supplier to J Sainsbury which Northern Foods bought from Sainsbury for £14m. The improvement stemmed from greater efficiency helped by lower pork prices.

Operating profits from the grocery business were 16 per cent up at £6.4m, on sales 7 per cent ahead at £82m. The division was dominated by the Fox's biscuit business, which gained share in a slow market.

The group's finances were strong, Mr Clark said, with gearing reduced to 14 per cent at the half-year end although that was a seasonally high point for borrowings. He said the balance sheet could fund acquisitions of up to £150m without any rights issue.

Interest charges took £1.1m (£1.2m). Earnings per share increased 17 per cent to 15.35p (13.07p) and the interim dividend is raised 14 per cent to 6p (5.25p).

See Lex

BOARD MEETINGS

TODAY

Interims- Alba, [illegible] Developments, Caledonia Invs., Johnson Matthey, Lyons Irish Hldgs., Maxwell Communications, NSM, North West Water, Optometrics, [illegible] & McEwan, Trinoco, Verson Intl.

Finals- ABI Leisure, Dunedin Worldwide Inv. Trust, Kwik Save, Turkey Trust, Westex.

FUTURE DATES

Interims-

Avesco	Dec. 5
BPB Inds.	Nov. 29
Seeerco	Dec. 12
British Bldg. & Eng. App.	Dec. 13
GJ	Dec. 5
LEICA	Dec. 7
Marine Developments	Dec. 3
Oriflame Intl.	Dec. 10
Stace	Dec. 4

Finals-

Euromoney Publications	Dec. 6
Lloyds Abbey Life	Feb. 20
New Zealand Inv. Trust	Dec. 6
Saatchi & Saatchi	Dec. 5
Sycamore	Dec. 4
Trafalgar House	Dec. 5
Wolverhampton & Dudley	Dec. 13

"All divisions displayed strong trading performance and increased margins."

Derrick Holden-Brown

(Extracts from the Chairman's Statement)

Pre-Tax Profit		Earnings per Share		Dividend per Share	
1990/91	1989/90	1990/91	1989/90	1990/91	1989/90
£286m	£260m	22.8p	22.0p	6.27p	5.65p
Up 10.0%		Up 3.6%		Up 11.0%	

28 weeks to 15 September 1990.

"Hiram Walker-Allied Vintners will benefit from its successful acquisitions and well supported premium brand portfolio. Allied Breweries maintains its consistent long-term strategy and will gain from the progressive implementation of the five-year brewing and supply agreement with Greenall Whitley. J Lyons has good prospects in its core sectors and more gains to come from the integration of Dunkin' Donuts and Mister Donut.

Allied-Lyons' strategy of building on its strengths in brands, internationalism, and operating efficiency underpins our expectation of faster growth despite more testing economic conditions."

ALLIED LYONS

Apollo Metals 57% ahead in another year of rapid improvement

By Jane Fuller

APOLLO Metals, the USM-quoted processor and distributor of aluminium plate and bar, enjoyed a third year of rapid growth, producing a pre-tax profit increase of 57 per cent.

The taxable figure grew to £2.4m (£1.53m) for the 12 months to September 30 on turnover of £26.86m, against £19.07m.

As the company, which was bought by the management in 1985, further reduced debt, interest charges fell to £104,000 (£195,000). Year-end gearing was roughly halved to 10 per cent.

The figures were also helped by an exceptional property profit of £128,000.

Mr Clive Orford, deputy managing director, said the company supplied special alloys to high-tech engineering sectors, such as aerospace and medical equipment. Apart from buoyancy in these sectors, the trend to reduce stock had benefited Apollo, which carried out the first stage of the manufacturing process.

Although nearly 90 per cent of sales were in the UK, exports doubled to £3m.

Mr Orford said that demand from high-tech companies remained strong whereas customers in general engineering were quieter. But he believed that continued efforts to control stock would encourage companies to make more use of processors and distributors. He remained positive about the outlook.

Mr Bob Teare, chairman, said the company was increasing capital spending to more than £1m this year, compared with £635,000. This was partly related to expansion of machining facilities at the Birmingham factory.

The company is in the process of finding a new finance director as Mr Rod Shaw has decided to leave next April. Mr Orford said the parting was amicable.

Fully diluted earnings per share rose to 12p (8.2p). A final dividend of 2p makes a total of 3p (2p).

The share price gained 5p yesterday to close at 130p just above this year's previous high, giving a market value of £14.9m.

When the company joined the USM in December 1988, via the placing of 38 per cent of the equity, the price was 58p a share.

Correction
MMEC

Mr Mark Kemp-Gee was incorrectly described as chairman of Merchant Manufactory Estate Company in yesterday's Financial Times. Mr John Adams, former deputy chairman of Higgs and Hill, is MMEC's new chairman.

Correction
N'thumbrian Water

Northumbrian Water's earnings were 33.2p per share in the six months ended September 30 1990, not 8.2p, as reported in yesterday's Financial Times.

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(Incorporated in England with registered number 735487)

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Copies of the Listing Particulars dated 10th November, 1990 relating to Worcester Group plc and containing details of the Cumulative Redeemable Convertible Preference Shares are available from the Company Announcements Office of The Stock Exchange at 46–50 Finsbury Square, London EC2A 1DD for the two business days following the date of the publication of this notice and in the Companies Fiche Service available from The Stock Exchange. Copies of the Listing Particulars may also be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 12th December, 1990 from the registered office of the Company at Navigation Road, Diglis, Worcester WR5 3DG and from:

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28th November, 1990

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BTR plc

(Registered in England No. 57410)

ISSUE OF 116,062,608 WARRANTS TO SUBSCRIBE FOR ORDINARY SHARES IN THE COMPANY

The Company has made a free issue of Warrants to existing shareholders in the proportion of one Warrant for every 15 Ordinary Shares held. Each Warrant entitles the holder to subscribe for one Ordinary Share of 25p in the Company at a subscription price of 370p (subject to adjustment). The Warrants are in registered form and may be exercised in either 1994 and 1995 during 30 day periods commencing on the dates falling one day after the date of posting of the Annual Report and Accounts and the interim results of the Company in those years.

The Council of The Stock Exchange has agreed to admit the Warrants to the Official List and such admission will become effective and dealings in the Warrants will commence on 28th November, 1990.

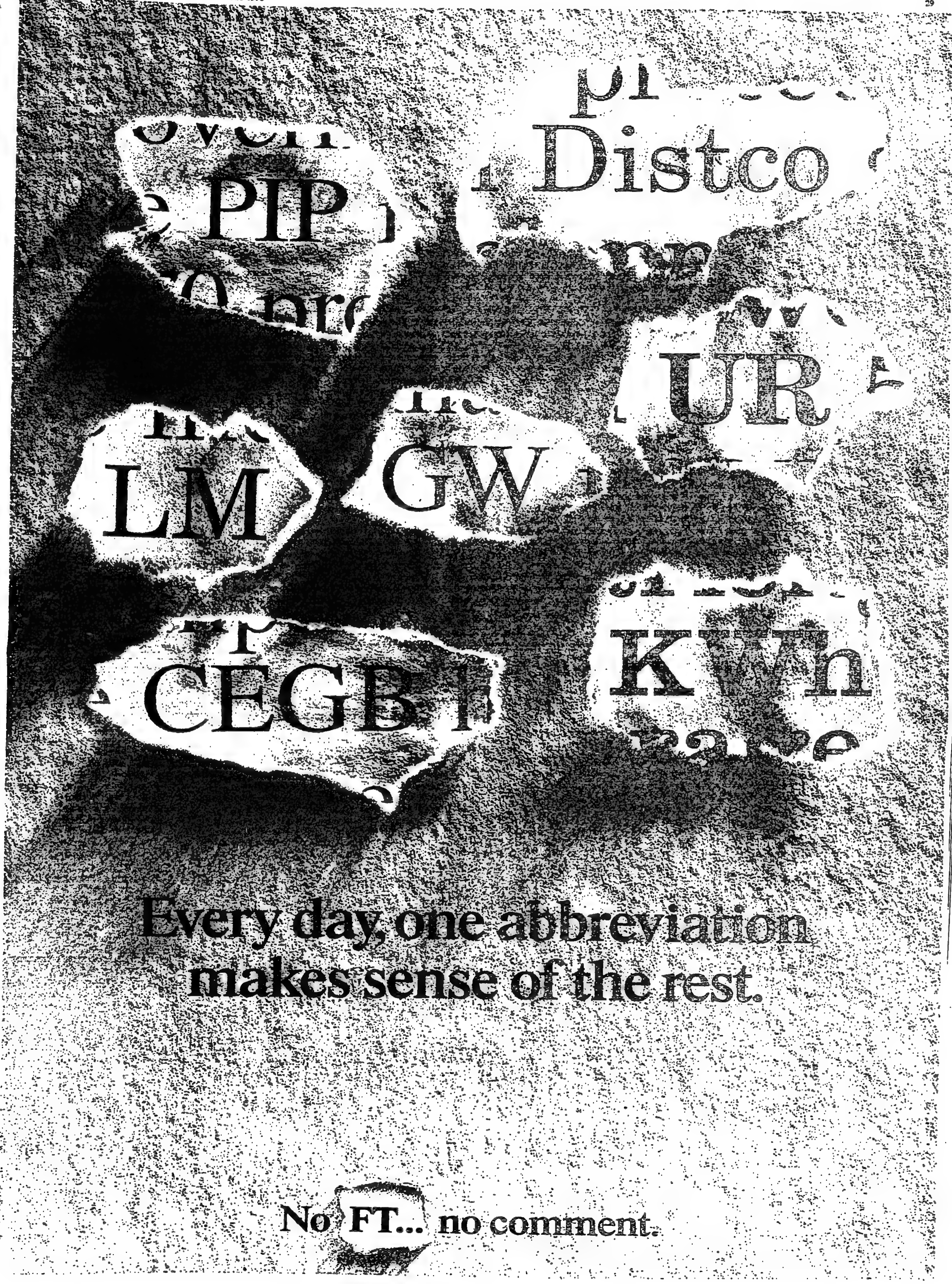
Details of the Warrants are available in the statistical service maintained by Extel Financial Limited and copies of the Circular to Shareholders dated 16th October, 1990 containing, inter alia, details of the Warrants may be obtained during normal business hours up to and including 30th November, 1990 from the Company Announcements Office of The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD and during normal business hours on any weekday (Saturdays excepted) up to and including 12th December, 1990 from:

BTR plc
Silvertown House,
Vincent Square,
London, SW1P 2PL.

Cazenove & Co.,
12, Tokenhouse Yard,
London, EC2R 7AN.

28th November, 1990

هكذا من الاصل


PIP
Distco
UR
LM
GW
CEGB
KWh
Every day, one abbreviation makes sense of the rest.
No FT... no comment.

UK COMPANY NEWS

Redundancies as expected contracts fail although orders exist for four years' work

Vosper Thornycroft advances 15% to £6m

By Jane Fuller

VOSPER Thornycroft, maker of Royal Navy mine-hunters now stationed in the Gulf, increased pre-tax profit by 15 per cent to £6.1m in the six months to September 30.

The increase, from £5.3m, was achieved after incurring redundancy costs of £1.5m. About 200 of the 2,100 workforce were shed when two contracts, for Brunei and the Ministry of Defence, failed to materialise.

This was offset by an increase in interest received from £1.3m to £2.5m. The group had £33m cash at the half-way stage. Turnover advanced 30 per cent to £63.2m (£48.6m).

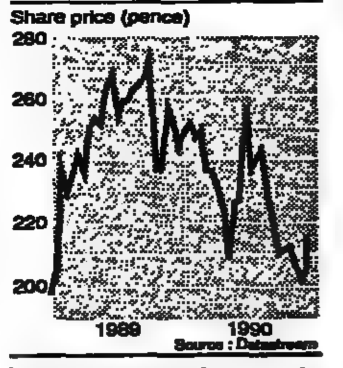
Mr Peter Usher, chairman and leader of the management buy-out team when the group was privatised five years ago, said half the sales were exported and a bigger proportion of profit came from overseas orders.

"Our exports to the Middle and Far East are not affected by glasnost," he said. He saw "long-term value" for the group in the Gulf.

Two big contracts, for the Royal Navy and Saudi Arabia, were progressing well. The group's order book totalled between £400m and £500m, the equivalent of about four years' work.

Vosper Thornycroft

Share price (pence)



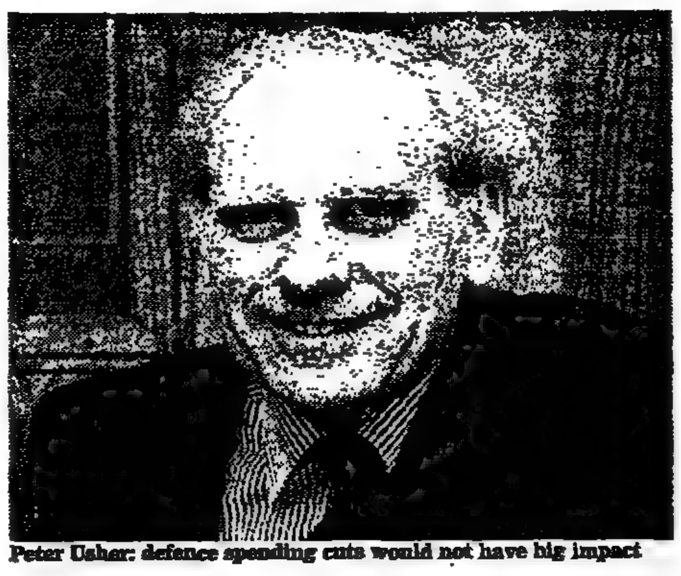
He said defence spending cuts in the UK would not have a big effect on Vosper because the Royal Navy was keeping up the number of mine-hunters. It was tendering for seven more Sandown class vessels. Yet he did express concern that rivals were planning to use imported hulls which he believed would be subsidised.

About 30 per cent of the group's turnover is non-ship building, although Mr Martin Jay, managing director, said the engineering work and services were often related to ship sales. One promising non-defence area was that of safety equipment for North Sea oil rigs.

Earnings per share rose to 12.9p (11.3p). The interim dividend is increased to 3.5p (3.125p).

COMMENT

Although the "peace dividend" has sent defence companies out of fashion, Vosper has considerable defensive qualities. Mine-hunters escaped relatively unscathed from the UK government's defence review and the group has a healthy export record. Continuity of work is secure until 1994. Tension in the Gulf is an obvious bonus, demonstrating the need for mine-hunters and patrol boats, and putting Vosper-made vessels on parade. Yet some niggles have surfaced. The rate of MoD orders for minehunters is likely to slow and the chairman's questioning of rivals' hull imports gives a flavour of the competitiveness. The recent redundancies showed that replacement work is not readily available when occasional disappointments occur. While defence, like cigarettes, is proving a persistent market, faster growth of other activities would be welcome – and Vosper has the cash to move this along. For the full year, pre-tax profit is expected to approach £14m, compared with £12m, giving a prospective p/e of 7.4 on yesterday's close of 216p, up 9p. This is a respectable rating for a defence company, although its comparative strength and prospects for dividend growth may warrant a little more.



Peter Usher: defence spending cuts would not have big impact

Beer sales rise helps Marston increase 7% to £9.68m

By Philip Rawstorne

STRONG volume sales growth of Pedigree and other beer brands lifted first half pre-tax profits at Marston, Thompson & Evershed, the Midlands brewer, by 7 per cent, from £9.04m to £9.68m.

However, in line with City expectations, the pre-tax figure was reduced by a 74 per cent slump in property profits to £168,000 as disposals were delayed because of the market downturn.

Turnover increased by 17 per cent from £45.2m to £53.1m and trading profit rose from £7.6m to £9.4m.

Earnings per share were 5 per cent ahead at 7.22p (6.86p). The interim dividend is raised by 13.5 per cent to 1.26p (1.11p) – "reflecting our confidence in the outlook for the year", said Mr Michael Hurdle, chairman.

Trading so far in the second half had been satisfactory, and pre-tax profit growth would be higher, he added.

Beer sales volumes showed a 5 per cent increase during the six months ended September 29. Pedigree continued to benefit from the distribution agreement with Whitbread and from "a sound if not spectacular" demand for the brand from other brewers' pubs as a "guest beer".

During the six months, Marston bought 55 pubs, most of them from Ansells, for £10.7m, which with further capital expenditure of £8m, resulted in a net interest income decline from £745,000 to £87,000.

Analysts forecast full-year pre-tax profits of about £18.9m.

IBC shares emerge at 4½p after suspension to give £1.7m value

By Andrew Hill

SHARES in International Business Communications, the business information group, fell sharply from 31p to 4½p yesterday when they emerged from a two-month suspension.

At yesterday's closing price the company, which also publishes the *Fleet Street Newsletter* tip-sheet, is worth just £1.7m.

That compares with a market value of more than £80m when the shares peaked in the middle of 1988.

IBC is weighed down by £73m of debt, and unveiled a rescue plan on Friday which could leave its bankers controlling nearly 76 per cent of the company. For each share held, shareholders are being offered three new shares at 10p each and one new debenture at half its nominal value of 71p.

The group has been trying to sell off non-core businesses, and yesterday announced a buy-out of its design consultancy subsidiary Springett for £250,000.

The deal releases IBC from significant deferred payments to Springett's management.

IBC warned shareholders in a circular posted on Friday that investment in the company now carried "a significant degree of risk". If shareholders reject the rescue plan, the banks will withdraw their support for the company.

Mr Don de Groot, IBC's chairman, said yesterday: "We are not oblivious to the share price but having included a strong warning I'm not totally surprised that the first dealings are at this level."

IBC is involved in organising specialist conferences and publishing newsletters.

Further non-core businesses earmarked for sale include typesetting and market research subsidiaries, which could raise up to £2m towards reducing the group debt.

New Cavendish in the red

By Mani Deb

NEW CAVENDISH Estates reported a downturn from a £844,710 pre-tax profit to a loss of £102,500 for the year to June 30, partly because of a £2m provision against the sale of a freehold office.

The sale of the property in Little Russell Street, Bloomsbury, London, was expected last week and the preliminary result was delayed in anticipation.

But the contract was aborted by the purchaser because of the unstable political situation.

The provision was offset by £1.1m (£450,000) development profits, management fees of £530,000 (£182,000) and net rental income of £551,000 (£508,000).

Interest and other income came to £401,000 (£454,000) while finance and administration charges totalled £707,000 (556,000) and tax took £179,000 (£276,800).

Losses per share came out at 2.02p, against earnings of 4.06p a year ago. Again there is no dividend.

Mr Henk Schep, the chairman, said that in view of the state of the property market, the group has decided to maintain its low gearing and defer plans for expansion.

This change in policy led to the resignation last month of Mr Richard Farr as chief executive and Mr Michael Ewing as finance director and company secretary.

Mr Ewing is to stay on as non-executive director until the Little Russell Street property sale, which would leave the group with no development or trading properties, and enable it to pay off all debts and have more than £3m in cash reserves, Mr Schep added.

NEWS DIGEST

H Young confident in spite of fall

H YOUNG Holdings, distribution services and merger broking concern, reports a pre-tax profit of £510,000 for the year ended September 29, compared with £1.77m for the previous 14 months period.

Mr John Wilson, the executive chairman, said it was a poor year for profitability caused by lack of consumer demand. But demand for optical frames and lenses had progressively showed improvement and was now estimated to have reached 85 per cent of the levels which were enjoyed prior to the implementation of sight test charges. A slight improvement had also been seen in the electronics division.

Turnover last year totalled £27.33m, compared with £37.81m for 14 months, but Mr Wilson said in spite of the difficult trading conditions there had been an encouraging start to the current year, with the first two months sales being in line with budget and showing a 17 per cent increase on the same period last year.

After tax of £163,000 (£565,000), earnings per ordinary share emerged at 2.1p (7.9p), but the dividend is maintained at 6p with a proposed final of 4p. Net assets of the group increased by 47 per cent from £8.8m to £12.9m (81p per share) and at the year end the company had cash of £2.5m compared with borrowings of £5.5m at September 1989.

Hanover Druce goes £2.2m into the red

Difficult trading conditions in estates agency businesses have led to Hanover Druce's losses accelerating from £28,000 to £2.21m in the six months to August 31; for the whole of 1989-90 the loss was £2.75m.

Following successful negotiations, Hanover has exchanged contracts for the sale of certain residential estates agencies for £4.56m. Because of the size of the transactions shareholders' approval will be required.

Mr Isidore Redstone, the chairman, said the disappointing half year's trading, which unlike last year, did not benefit from property sales, reflects the difficult conditions in the property markets, with high interest rates and a lack of investor confidence caused in part by political and economic uncertainties.

He said there were early signs of some revival in the property market which, if sustained, would show a marked improvement in the group's trading.

Turnover was £8.87m (£15.05m, which included £4.7m in respect of property in which the company had an interest). The loss per share was 34.6p (2.2p loss). No interim dividend is being paid (1.5p).

IAWS at I£5.4m in 'difficult period'

IAWS Group, the USM-quoted food, fertiliser and agriproducts company based in Dublin, announced pre-tax profits of I£5.39m (£4.9m) for the 10 months ended July 31. For the previous 12 months profits were I£5.66m.

The directors said that all divisions had continued their programme of development and expansion and had performed well, in what was a difficult period for agriculture. The current year would be one of consolidation, they added.

Turnover for the period was I£238.68m (I£242.31m) and earnings per share worked through at 6.2p (6.6p). The final dividend was 1p for a total of 2p for 10 months (1.9p for year).

The group reporting period was changed to facilitate the acquisition of R&H Hall, effective from September 1 1990.

Radio City falls to £882,000

A decline in national advertising led to a 34 per cent fall in pre-tax profits of Radio City (Sound of Merseyside), the independent radio station, from £1.34m to £882,000 for the year to September 30 1990. Turnover slipped from £4.33m to £4.15m.

The directors said that for most of the year, but particularly in the second half, it was very difficult to maintain revenue levels of the previous year. Local advertisers continued to support the station at about the same levels, but national advertisers were regularly cut.

The weakness in national advertising had a direct effect on the associate, Broadcast Marketing Services, and its contribution fell from £275,000 to £180,000.

The launch of City Talk last month coincided with the start of the worst advertising recession for at least a decade. However, in its first few months the new station had built up an audience of more than 420,000 adults.

The start-up and launch costs of City Talk were shown as an extraordinary charge of £331,000. Earnings per ordinary and "A" ordinary share were 21.23p (33.77p), while a recommended final dividend of 7p makes a total of 10.5p (10p) for the year.

A-Scandinavian Trust declines

Anglo-Scandinavian Investment Trust has seen net asset value decline from 95.6p at its launch, December 21 1989, to 90.7p at September 30 1990.

Some 65 per cent of funds were invested in other investment trusts, and it was intended to raise that level to at least 75 per cent in the course of the current year, said Mr Richard Granville, chairman.

In the initial period the trust made net revenue of £787,000, for earnings per share of 3.38p. The final dividend is 2.28p for a total of 3.38p.

Walker & Staff lower at £180,000

Walker & Staff Holdings, the distributor of valve and pipeline equipment, suffered a fall in pre-tax profits from £191,000 to £180,000 for the half year to September 30.

Turnover advanced to £4.08m (£3.79m) and the directors said that margins had been maintained although overheads had risen substantially. Adequate provision had been made against stock obsolescence and bad debts. They warned that the result for the full year was anticipated to be lower than the £389,173 achieved last time.

Earnings per share amounted to 5.3p (5.4p) after tax of £61,000 (£69,000).

Scot and Mercantile net assets decline

Scottish and Mercantile Investment Trust reported a fall in net asset value from a restated 127.1p to 95p at September 30 1990.

Pre-tax revenue in the six months to the end of September dropped from a restated £726,424 to £644,967 for the period. After tax of £166,654 (£184,234) and minorities, earnings per 5p ord and 'A' ord share came to 1.81p (2.09p). The interim dividend has been maintained at 1.2p.

Property Partner setback and warning

Property Partnerships, which owns and develops commercial properties for investment and also operates hotels in Norwich, reports a slight setback from £1.16m to £1.07m in pre-tax profit for the half year to September 30.

Gross rental income from investment properties rose from £798,000 to £912,000 and operating profit increased from £586,000 to £633,000.

But operating profit from hotels fell from £661,000 to £503,000 reflecting a marked decrease in consumer spending and Mr Paul King, the chairman, thought that in the present uncertain economic climate it was unlikely that trading conditions would improve in the coming months.

After tax of £376,000 (£404,000) earnings showed a marginal decrease from 6.93p to 6.49p but the interim dividend goes up from 2.25p to 2.45p.

Southnews profits well down at £0.4m

The downturn in advertising was more severe than anticipated, had attacked margins and adversely affected profits, reported the directors of Southnews, the USM-quoted local newspaper group. The interim dividend is halved at 0.8p.

On the news the shares fell 22p to close at 50p.

In the half year ended September 29 1990 turnover fell from near £10m to £9.04m, operating profit from £1.37m to £562,000, and the pre-tax balance from £1.31m to £415,000. Earnings per share were 1.78p (5.62p).

Mr Gareth Clark, the chairman, said a decline in recruitment advertising came on top of the drop in property and motor advertising, resulting in an overall fall in margins from 13.7 per cent to 6.2 per cent.

He expected the difficult market conditions would prevail well into mid-1991. So steps had been taken to focus on core activities, thereby driving up gross margins and cutting overheads significantly.

Actions taken included closures of the magazines because they would have taken too long to generate an adequate return, the loss-making free newspapers, the Wandsworth Times and the Isle of Wight Post, and the inhouse typesetting facilities.

The head office at Ruislip would be closed on December 7 and a new look building located at Harrow.

Marginal rise for Hewetson

Hewetson, which serves the construction industry, marginally lifted pre-tax profit from £1.1m to £1.17m in the six months ended September 30.

Turnover surged from £16.22m to £22m. Operating profit, however, only rose £267,000 to £1.54m and then suffered increased interest charges of £376,000 (£172,000).

Mr Peter Price, chairman, said construction materials was helped by the acquisition of Construction Material Services, which was engaged in the processing, preparation and distribution of pulverised fuel ash products.

It made an encouraging contribution to profits compensating for the depressed level of business in the housing market.

Flooring products continued to grow, Mr Price said, but there had been considerable pressure on margins.

Overall, the recent level of trading was broadly similar to the first half.

Earnings in that period were 7.71p (7.14p) fully diluted. The interim dividend is again 1.6p.

Minet expands in New Zealand

By Richard Lapper

Minet International, the subsidiary of the Minet Holdings insurance group, has announced the acquisition of the Australasian insurance and risk management business of the David Archer Group.

In New Zealand, David Archer and Associates is to merge with Minet's existing local subsidiary, Minet Insurance Brokers (NZ) to become Minet Archer. Minet's and David Archer's Australian operations are to be merged. Mr Archer will become managing director of the New Zealand company in which he holds a 20 per cent stake.

Gartmore Value net assets lower

Gartmore Value Investments net asset value amounted to 30.8p 34.1p for half year ended October 31 1990. Net Revenue was £861,000 (£1.68m for nine months from incorporation) for earnings of 1.73p (3.37p) per share. Second interim dividend 0.9p making 1.8p (1.8p).

COMPANY NOTICES

De Beers Consolidated Mines Limited

Incorporated in the Republic of South Africa
Company Registration No. 11/00007/06

NOTICE OF DIVIDENDS DECLARED ON PREFERENCE SHARES

Declaration of Dividend No. 163 on the 40 per cent Cumulative Preference shares of R5.00 each.

Dividend No. 163 of one rand (R1.00) per share in respect of the six months ending 31 December 1990, has been declared payable to the holders of the 40 per cent cumulative preference shares registered in the books of the Company at the close of business on 28 December 1990, and to persons presenting coupon No. 163 detached from the preference share warrants to bearer. A notice regarding payment of dividends on coupon No. 163 detached from share warrants to bearer will be published in the press by the London Secretaries of the Company on or about 21 December 1990.

Declaration of Dividend No. 31 on the 8 per cent Cumulative Second Preference Shares of R1.00 each.

Dividend No. 31 of 4 cents per share in respect of the six months ending 31 December 1990, has been declared payable to the holders of the 8 per cent cumulative second preference shares registered in the books of the Company at the close of business on 28 December 1990.

For the purpose of these dividends the preference share transfer registers and registers of members will be closed from 29 December 1990 to 11 January 1991, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 5 February 1991. Registered shareholders paid by the United Kingdom Registrars will receive their dividend in United Kingdom currency converted at the rate of exchange applicable on 2 January 1991, less appropriate taxes. Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the Company's transfer offices in Johannesburg or the United Kingdom on or before 28 December 1990.

The effective rate of non-resident shareholders' tax is 13.363 per cent.

The dividends are payable subject to conditions which can be inspected at the head office and London office of the Company and also at the Company's transfer offices in Johannesburg and the United Kingdom.

By order of the board
H.J. Crankshaw,
Secretary

Transfer Secretaries:
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg 2001
(P.O. Box 61051, Marshalltown 2107)

Barclays Registrars Limited
Bourne House, 34 Beckenham Road
Beckenham, Kent BR3 4TU

Head Office:
36 Stockdale Street
Kimberley, 8301

London Secretaries:
Anglo American Corporation of South Africa Limited
40 Holborn Viaduct
London EC1P 1AJ

27 November 1990

De Beers
De Beers Consolidated Mines Limited

This advertisement is issued by Brewin Dolphin & Co. Ltd., which is a member of The Securities Association, in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an offer or an invitation to the public to subscribe for or to purchase any securities.

Application has been made for grant of permission to deal in the Unlisted Securities Market on The Stock Exchange in the ordinary share capital of the Company. It is emphasised that no application has been made for those securities to be admitted to listing. It is expected that admission to the Unlisted Securities Market will become effective and that dealings in the Ordinary Shares will commence on 3rd December, 1990.

No application is being sought for the convertible cumulative redeemable preference shares to be dealt in in the Unlisted Securities Market or admitted to listing.

RENTAMINSTER PLC

(Incorporated in England under the Companies Act 1985, Registered No. 2097316)

INTRODUCTION TO THE UNLISTED SECURITIES MARKET

by

BREWIN DOLPHIN & CO. LTD.

Share Capital

Authorised £		Issued and fully paid £
833,333	in Ordinary Shares of 5p each	633,910
16,667	in convertible cumulative redeemable preference shares of 5p each	16,667
850,000		650,577

The principal activities of the Group are the supply of labour to the construction and shopfitting industries, the provision of sales and management training courses and the marketing of a system for maintaining and improving the performance of client companies' sales forces.

Details are included in the Companies Fiche Service available from The Stock Exchange. Copies of the Introduction particulars may be obtained during normal business hours on any weekday (excluding Saturdays and public holidays) up to and including 30th November, 1990 from the Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD (by collection only) and up to and including 12th December, 1990 from:

Brewin Dolphin & Co. Ltd.
5 Giltspur Street,
London EC1A 9DE

Rentaminster PLC
60 Ebury Street
London SW1W 9QD

28th November, 1990

EAST MIDLANDS

The Financial Times proposes to publish this survey on:

17th December 1990

For a full editorial synopsis and advertisement details, please contact:

Paul M. Jefferis or Anthony G. Hayes on 021 454 0922

or write to them at:

George House
George Road
Edgbaston
Birmingham B15 1PG

FT SURVEYS

LEGAL NOTICES

[illegible] DEVELOPMENTS LIMITED

Registered number: 2117089
Nature of business: Property Dealers
Trade classification: 23
Date of appointment of joint administrative receivers: 20 November 1990
Name of person appointing the joint administrative receivers: Midland Bank Plc
JOHN FREDERICK POWELL and DAVID ROBERT WILTON
Joint Administrative Receivers
(Office holder nos 846 and 286)
Cork Gully
43 Temple Row
Birmingham

THE COLNE VALLEY WATER COMPANY plc

NOTICE IS HEREBY GIVEN that the Transfer Books of Debenture Stocks will be closed for one day only on 5th December, 1990 for the preparation of Interest Warrants payable on 1st January 1991.

Dated this 28th day of November, 1990

J. A. [illegible]
Secretary
[illegible] House,
Aldenham Road
Watford, Herts
[illegible]

JUDICIAL NOTICE
Cantonal Court of the Canton Zug
Summons

In the Matter Sun International Ltd., Dorchester House, Church Street, Hamilton, Bermuda, represented by Dr. Hans-Ulrich Freimuller and Hanspeter Wüstner, Attorneys, Bar and Karrer, Seefeldstrasse 19, 8024 Zurich, Plaintiff, versus Shoshana Schreiber-Fasel, Mordechai Schreiber and Orit Schreiber, all having resided in London, at present whereabouts unknown, Defendants, concerning Responsibility (Case 34/90), the Defendants are hereby summoned to trial before the Cantonal Court Zug (Government Building Zug, Courtroom) on Thursday, February 21, 1991, 10.00, under penalty that in the event of unexcused failure to appear, admission of the factual grounds of the claim and waiver of objections will be accepted.

Zug, November 14 1990

For the Cantonal Court of Zug
3rd Department
Clerk:
St. Scherer

PERSONAL

PUBLIC SPEAKING Overcome the fear and nervousness of public speaking. [illegible]

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UK COMPANY NEWS

Some light on size of PPI offshoot

By David Barchard in Istanbul

QUESTIONS about the size of Meyna, the Turkish-based fruit and vegetable subsidiary of Polly Peck International, received a partial answer yesterday when Mr Richard Stone, of Coopers & Lybrand Deloitte, described the company as "a big ongoing business."

Mr Stone, one of three administrators appointed by a London High Court to handle the affairs of Polly Peck, said that Meyna had an annual turnover of around £200m.

"It seems to be a business that operates extensively across the country," Mr Stone said, adding that he believed that up to 70 per cent of its activities might be concentrated in the Turkish domestic foodstuffs market rather than exports.

Meyna is regarded by several stockbrokers' analysts in the City as one of the principal contributors to the group's overall pre-tax profits of £161m last year. Estimates of its earnings have ranged between £50m and £90m. However, until now the company's activities have been shrouded in secrecy because of a news blackout imposed by Polly Peck in the autumn.

Mr Stone said that he did not know the reason for the news blackout and that as he was an administrator for the Polly Peck group rather than for Meyna itself, he was not able to order it to be lifted.

"We have not got into all the detail of the accounts yet." Mr Stone said. "It is now a question of number crunching." He added that it was too early to form judgements.

He said that figures from the Mersin-based Mediterranean Exporters' Union showing that Meyna exported only around $4.5m of produce last year might be explained by earnings from exports to the Middle East and exports onsold through other companies, though he declined to name other companies involved or say what he believed the group's overall export earnings to be.

The administrators are not at present planning any disposals of Polly Peck subsidiaries, other than Russell Hobbs, the UK maker of small electrical appliances. "Nothing is for sale." said Mr Stone.

He said that Mr Asil Nadir, the Polly Peck chairman, had provided promised support for the administrators' efforts to remove a court injunction in northern Cyprus which denies them access to Sunzest, the group's fruit export company on the island, describing progress on this front as slow but sure.

His findings will be put to an informal committee of the group's 60-odd bank creditors on December 12.

Meanwhile Polly Peck officials in Istanbul said that Mr Nadir's return from Cyprus was imminent. Mr Nadir has spent only a few hours in the Turkish business capital since the group was placed in the hands of the administrators last month, and has been in Cyprus since November 16.

Cattle's to raise £18.2m in rights issue

By Clare Pearson

CATTLE's (Holdings) yesterday announced an £18.2m rights issue partly to finance the £11m acquisition of Compass Credit, a fellow consumer credit company, from Standard Chartered, the banking and financial services group.

The rights issue, Cattle's first for more than 10 years, is being made on an 11-for-20 basis at a price of 50p per share. Yesterday the shares closed at 55p, down 7p.

The company is paying £8m in cash for Compass, which has also declared dividends in favour of Standard Chartered totalling £3m.

Cattle's says there will be significant benefits from putting together Compass with Shopacheck, its existing core subsidiary involved in weekly collected credit.

It made £1.78m pre-tax profit on £45.9m sales last year, but Cattle's believes this substantially understates its profit potential.

Mr Roy Wandby, chairman, said the acquisition was expected to add about £2.5m to £3m to operating profits next year, although it would not enhance earnings per share until 1992.

Compass, makes personal cash loans but is also involved in the issue of "shopping checks", credit documents which customers can exchange for goods and services at various shops. It has about 120,000 customer-households, as against Shopacheck's 200,000.

Cattle's said it expected to make a final dividend payment of not less than 2.3p for the current year, making a total payment of 3.8p (3.575p).

The company described progress so far this year as "satisfactory", although Mr Wandby said the imposition of the poll tax had adversely affected demand. In the first half, it made pre-tax profits of £3.71m (£3.39m) on £93.6m (£83.8m) sales.

After the deal the enlarged group will have borrowings of about £80m. It makes loans at rates substantially higher than bank lending rates and hence is particularly sensitive to cuts in interest rates.

Mr Wandby said the effect of the recent one percentage point cut in interest rates following the UK's European Exchange Rate Mechanism entry would produce an immediate improvement in its profitability of about £500,000 on an annualised basis.

Compass, which was established in Sheffield 90 years ago, was acquired as part of Hodge Group, a finance house bought by Standard Chartered in 1972 and later renamed Chartered Trust.

After the acquisition, Mr Eddie Cran and Mr Graham Dunn, two directors of Compass, are to join Cattle's board. The rights issue and acquisition are conditional upon one another.

Christie £1.5m in loss and passes interim

By Andrew Hill

A decline in the sale of businesses drove Christie Group, the specialist business agency, into the red in the half year ended September 30.

It lost £1.5m before tax and has passed its interim dividend. In the equivalent period of 1989 it made a profit of £608,000 and finished with £1.21m for the 1989-90 year.

There was an interim and final dividend each of 1.4p. For the current term the dividend position would be reviewed at the year-end.

Mr David Rugg, managing director, said yesterday that the group had "hit a pause" in business during July and August, particularly in its agency activities and related mortgage operations, but since then business had stabilised.

Turnover during the first half declined from £12.4m to £9.58m; earnings of 1.57p per share were transformed into an interim loss of 4.64p. The company said it had managed to cut costs but had maintained its spending on marketing in an attempt to increase market share.

Mr Rugg said: "Clearly we have made economies in areas such as property overheads and in training and support personnel, but we have retained all of the capacity in our [agency] network."

BS wins approval for Scott's merger but battle could go on

By Richard Gourlay

BS GROUP, the Bristol-based stadium and property company, yesterday gained approval for its merger with Scott's, the London-based restaurant chain, after an acrimonious battle with minority shareholders which highlighted gaping flaws in the art of property valuation.

The BS four-for-one offer, which was approved at an extraordinary general meeting yesterday, could give the family of Mr Isadore Kerman, chairman of both BS and Scotts, control of BS.

The deal values Scott's at £7.15m but minority BS shareholders who commissioned an independent valuation of Scotts' London restaurants said this grossly overvalued the restaurants.

The minorities' valuation placed a value of only £2.3m on the properties compared with a £6.4m figure produced by chartered surveyors appointed by Singer and Friedlander, the BS financial advisers.

The Royal Institute of Chartered Surveyors confirmed both valuations were made on the same basis and admitted it was embarrassed that two of its member firms had arrived at such wildly different views.

Yesterday a group of minority shareholders vowed to fight on. "The RICS has a lot to answer for," said Mr Geoffrey Hamilton-Fairley, managing director of Abingdon Management, a private investment company. "For the sake of the valuation profession the RICS can not leave this discrepancy at that."

The merger gives the Kerman family 39.9 per cent of BS voting stock. Scotts, which Kerman interests control, owns a further 268,041, or 5 per cent, of BS shares.

Last week the Takeover Panel dismissed an appeal by Abingdon to refer a valuation of the assets in Scott's Restaurant to the RICS.

The Panel said BS shareholders had been supplied with documents complying with general principle four of the Takeover Code which says shareholders should have enough information to enable them to reach an informed decision.

The BS merger with Scotts is not the first time that controversy has surrounded Mr Kerman's ownership of BS shares. In 1989, the Kerman interests in BS rose above 30 per cent, the level at which the Takeover code would normally require a full offer to be made.

The Stock Exchange allowed BS shareholders to approve conversion of some of the Kerman interest into non-voting shares. As a result the family now also owns non-voting shares which it can convert into voting shares simply by notifying BS.

Sheafbank operating profits rise

Sheafbank Property Trust, property development and investment group, reported pre-tax profits down from £843,027 to £500,891, after a transfer of £820,682 to a non-distributable reserve, in the year to March 31. Operating profits increased from £804,890 to £940,668.

Mr Jack Gradel, chairman, said the property investments of UK Estates had progressed well. Sheafbank's investment of over 50 per cent in Schlesinger Investments Corporation, an investment and financial services group, will be making a positive return in the form of dividends in the year commencing April 1991.

Tax took £19,901 (£99,261) and earnings per 10p ordinary came out at 2.48p (4.65p) basic, and 2.41p (4.2p) fully diluted. The proposed final dividend is 0.65p (same) for a maintained total of 0.75p.

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28th November 1990

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BUSINESS AND THE ENVIRONMENT

Clive Cookson and Peter Knight report on chlorofluorocarbon substitutes being introduced by the refrigeration and electronics industries

Victory is near in the cold war

The toughest technical problem ever faced by the refrigeration industry – how to replace CFC coolant with an environmentally acceptable substitute – has been solved, following an intensive research and development programme by chemical companies and fridge manufacturers.

When the Montreal Protocol to protect the ozone layer was signed in September 1987, refrigeration faced the hardest struggle of all the industries forced to phase out chlorofluorocarbon (CFC) consumption. No one knew then what chemical(s) could replace R12, the general purpose coolant in fridges and air conditioners.

It soon became clear that only one compound had the right chemical and physical properties: a hydrofluorocarbon called HFC134a which has hydrogen atoms instead of the chlorine that makes CFCs so destructive to ozone in the upper atmosphere. Co-operative toxicity and environmental testing by the chemical industry showed that 134a was safe. But unfortunately it was not compatible with the cheap mineral oil lubricants used for the last 50 years with R12.

"It was a big shock for the refrigeration industry that 134a wasn't going to be a simple drop-in replacement for R12," says Bridget Paterson, 134a product manager for ICI, the UK chemical giant and CFC manufacturer. The industry had to find suitable lubricants for 134a and then redesign its products to work with the new chemicals.

The first potential lubricants investigated – polyalkylene glycols – turned out to be a step in the wrong direction. They lubricated well but absorbed water and after a while began to react chemically with other materials in fridge compressors.

Attention then switched to synthetic oils called polyol esters. Extensive testing of refrigeration equipment with these ester lubricants over the last few months has convinced the industry that they are the answer to its prayers.

A combination of 134a coolant with ester lubricant appears to work as well as R12 plus mineral oil in domestic fridges, car air conditioners and small commercial refrigeration systems. And the amount of redesign work required will be less than manufacturers had feared.

Several manufacturers expect to launch CFC-free fridges with the new combination on the retail market next year. For example, Electrolux of Sweden delivered its first test shipment of 400 fridges and freezers to customers in the Stockholm area this month.

For users of commercial refrigerators, the most important test has taken place during the autumn in the cellar of the Hobs Meadow, an Ansells pub in Solihull near Birmingham. Its eight-year-old Copeland cooling unit has switched successfully from running on R12 and mineral oil to 134a and a new ester oil developed by Castrol, the UK lubricants company.

The conversion involved little more than flushing out the system with the new ester (which is miscible with the old chemicals). The only hardware required was an inexpensive new expansion valve.

The Hobs Meadow test seems to disprove the widely held view that if would be impossible to make old refrigerators run on 134a. "This is a real breakthrough for commercial users because it means that they can switch to CFC-free refrigeration while keeping their existing equipment," says Sev Lloyd, Ansells refrigeration engineer. It will save the Allied Lyons food and drinks group £50m which it would otherwise have had to spend on new equipment to comply with the Montreal Protocol.

Other important commercial users of R12 refrigeration systems are dairy farmers (for cooling milk tanks) and the shipping industry (for chilled containers). A retrofilling test of 134a is now under way at the Shipowners Refrigerated Cargo Research Association in Cambridge.

Both 134a and ester lubricants represent significant new markets for the chemical industry – likely to be worth more than £100m each by the mid-1990s.

Chris Tane, new fluorocarbons marketing manager for ICI, expects the volume of 134a consumed to be only 40 per cent of R12 consumption, because people will use it less wastefully and because R12 had other applications besides refrigeration, for which 134a is not suitable.

But industry experts predict that the price of 134a will settle at a level four or five times higher than R12 (now about £1 per kilo and rising rapidly as production is cut back in accordance with the Montreal Protocol). Tane says the higher price is justified by the more complex process required to make 134a and by the need to recoup the large investments in new manufacturing facilities for CFC substitutes.

ICI has invested more than £100m in the search for CFC substitutes (which it has christened with the brand name Klea). Its first commercial scale 134a plant, a £30m facility at Runcorn on Merseyside, was completed within a year – far faster than most comparable chemical plants – and started production last month. ICI is building a second 134a plant in Lonisiana, a £75m facility due to come on stream early in 1993. And if the market develops as ICI hopes, a third plant will be built in Japan in the mid 1990s.

Du Pont, the world's largest CFC manufacturer, puts its investment in CFC alternatives at $240m to date and expects the total to exceed $1bn over 10 years. Its first commercial 134a plant, in Corpus Christi, Texas, is expected to come on stream within the next week or two.

Although Du Pont and ICI have made the largest public commitments to 134a production, half a dozen other international chemical companies say they also plan to compete in the market. A pilot plant at Rhone Poulenc's ISC division in Avonmouth near Bristol gives UK refrigerator and compressor manufacturers another source of 134a for testing.

The market for new lubricants is more open than the 134a market. Chemical companies, oil companies and specialist lubricant blenders are all in a position to supply the esters required. In the UK Castrol and ICI have made the early running.

Even though the refrigeration industry now seems to have settled on the best combination of coolant and lubricant, it did not become clear until about six months ago that 134a plus ester was the right answer. Until then uncertainty over the lubricant and the distraction of polyalkylene glycols held back the development of CFC-free fridges – and even now many manufacturers are proceeding cautiously.

"We rushed to get our 134a plant completed and now we're not getting the volume of orders we had hoped for," says Tom Christie, a refrigeration consultant working for Du Pont in Geneva.

Manufacturers of compressors – the pumps that drive the coolant circuits in fridges, freezers and air conditioners – now have considerable experience of testing their equipment on 134a plus ester. Danfoss, the Danish compressor company, led the way and concluded in the spring that a fridge could run on 134a without any loss of efficiency compared with R12. This contradicted earlier claims that 134a would consume more electric power and therefore contribute indirectly to the greenhouse effect.

Fridge manufacturers, who typically buy in some compressors and make some of their own, remain cautious. "The compressor manufacturers may have got over their problems but we still have to test the system as a whole, to make sure that it all works properly in our cabinet," says Stewart Aitken, joint managing director of Lec Refrigeration, the UK fridge maker.

But the consensus of the industry is that the problem of making reliable, energy efficient fridges that do not harm the ozone layer has been solved. Small numbers are likely to appear in the shops next year, with the main surge in sales expected in 1992.

CC

Washing away those chemical troubles

Put it in a washing machine, add detergent, jiggle it about with ultrasonics and then dry it with jets of hot air.

This is how some electronics manufacturers have replaced CFC-113, a common chemical solvent once used extensively to clean electronic parts.

The washing machine method is hardly high-tech but it is effective in some applications. For example, at IBM's factory in Havant, UK, the metal castings for disk drives are now cleaned in water instead of CFCs. IBM is phasing in the water-wash method but still runs old-style CFC washers especially for some components, such as electric engine windings, which cannot be cleaned effectively without chemicals.

Electronic components have to be scrupulously clean. Computer disk drives, for example, have such fine tolerances that a fingerprint can cause a breakdown unless removed before the drive is assembled.

Washing machines that use CFCs look like old-fashioned chest freezers used to store ice cream in shops. Around the mouth of the chest are refrigeration pipes. The chest is filled with liquid CFC, which is highly volatile. The vapour, which is integral to the cleaning process, rises to the chest's mouth where it is cooled by the refrigeration pipes and held in suspension.

The articles to be cleaned are stacked in plastic-coated metal baskets and lowered into the CFC liquid. This is sometimes heated or agitated with ultrasonic sound to improve cleaning. After a while the baskets are lifted and dried in the vapour layer.

Since CFCs were found to damage the environment, washing machine makers have managed to prevent much of the chemical from evaporating by sealing the machines with air-lock doors. The automatic mechanisms that lowered the baskets into the chemical were re-designed to ensure that the vapour layer was not disturbed too much. This prevented evaporation.

IBM is committed to stop using CFCs worldwide by 1993. And at its Havant factory the managers have already halved their use of the chemical by what they call "containment" – simple housekeeping measures, such as preventing drafts and keeping a stricter control on wastage. Used CFC is sent away for recycling.

Better management of the chemical has certainly helped the environment but it also saved IBM £210,000 last year. Why did it take so long to make the changes? "The last thing you need on a high-tech manufacturing line is change. Engineers are nervous about changing bedded-down processes," says Jack Climpson, plant controller.

IBM is working with Kerry Ultrasonics, the UK-based maker of CFC washers, to develop suitable water-based washing machines. Such machines already handle about 2,000 disk-drive assemblies a day at the Havant plant.

Water-based washing machines clean in three stages. First, the articles are immersed in a warm water and detergent mixture which is agitated with ultrasonic sound. Second, the articles are removed, sprayed and rinsed in de-ionised water (to remove staining salts). The rinse tank has filter cartridges that can remove particles as small as 0.01 microns.

Third, the articles are dried under jets of clean, hot air. Water vapour is removed in a closed-loop extraction system.

This system works well with disk drive assemblies or similar items. Other cleaning methods are needed for more complicated electronic components. The intricate windings of electric motors, for example, provide too many crevices for water-based cleaning and chemical solvents are still necessary.

Electronic circuit boards have to be cleaned after assembly because the soldering process leaves resin flux residues. Du Pont, the chemical company, has introduced a hydrocarbon cleaning solvent called Axarel 38 – a blend of solvents and detergents which remove resin. The boards are then rinsed in water and dried with hot air.

Digital Equipment Corporation, the US-based computer maker, has developed a purely water-based washing system designed to clean circuit boards. The system is similar to a domestic dishwasher where water is sprayed on to the articles.

Digital's washer continuously changes the angle at which the spray hits the boards. This, and the tiny size of the droplets, enables the water to dislodge the flux and any residues that might collect in the minute (up to 0.004 inches) gaps between the board and the components attached to it.

This system also uses detergent and a number of wash, rinse and warm-air drying cycles. Digital has donated its technology to the Industry Co-operative for Ozone Layer Protection. This is a US-based group set up by the Environment Protection Agency and the electronics industry to exchange information and technologies on CFC replacement.

Water-based cleaning methods might prevent ozone damage but they also have environmental drawbacks. Water consumption, for example, is becoming a critical environmental issue. While water washers might not use excessive amounts of water the process places an increased strain on resources and demands recycling and water-treatment plants.

But the main drawback is the energy needed to dry components in hot air. This is much higher than when chemicals were used to wash and dry the articles.

Electronics manufacturing plants produce surplus hot air, most of which is wasted. This air is not hot enough to be used for drying, but it should not be beyond the capabilities of engineers to use the waste heat to pre-heat air for dryers and so reduce energy consumption.

The IBM Havant plant has not advanced this far. But at least it uses all the methane gas generated by a nearby sewage treatment plant to keep its workers warm.

PK

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COMMODITIES AND AGRICULTURE

Tim Dickson and **Nancy Dunne** take a sceptical look at the US stance in Gatt talks

EC reels from low blows in farm trade battle

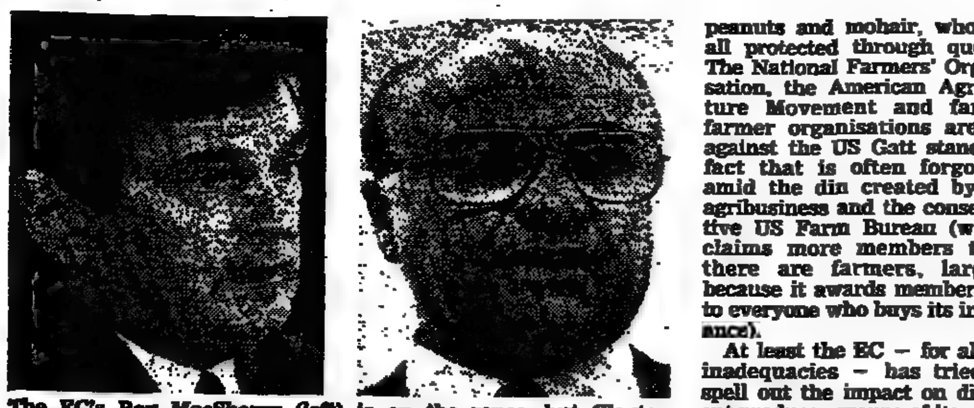
IF THE Uruguay Round were a boxing match the referee would surely have stopped the fight.

Driven on by heady free trade ideology, the US's two top heavyweights in the Geneva negotiations, Mr Clayton Yeutter and Ms Carla Hills, have let fly with such a volley of propaganda punches in the last few months that the European Community has been left reeling on the ropes.

Mr Ray MacSharry and Mr Frans Andriessen – the Brussels duo constantly squabbling between themselves over who should enter the ring – are now forced to defend a position that seems timid and protectionist and is highly unpopular with all save a small but vociferous interest group.

However, as fears mount that the four-year process of international trade reform could end in failure, the US side must face up to the charge of fighting dirty.

Washington's extraordinary exercise in self publicity has certainly had a disproportionate effect on opinion formers, but to some extent the lack of a clear EC riposte is to blame for this. More seriously, the American team's stream of free trade rhetoric has put up a smoke-screen around some of the less high-minded motives for its attack on Brussels policy, brushed aside important domestic differences and glossed over some significant difficulties that would be bound to result from a farm trade free-for-all.



The EC's Ray MacSharry (left) is on the ropes, but Clayton Yeutter, for the US, faces charges of dirty fighting

For example, an important inspiration for the American stance in the Uruguay Round has been the determination of the powerful US grain lobby to regain lucrative world markets lost to the EC in the early and mid 1980s. The EC's dumping of its surpluses was certainly damaging and unfair but the Americans made their own contribution to that glut by operating a subsidy system (admittedly now refined) that effectively protected its own farmers from low world market prices.

Meanwhile, those who disagree with the new conventional wisdom in Washington are variously dismissed as "fringe groups" and "dissenters" – labels that give the impression that their views are marginal and do not count.

In fact, US interest groups anxious about the potential impact of a Uruguay Round deal on something close to Mr Yeutter's terms are numerous. They include producers of sugar, meat, dairy products, peanuts and mohair, who are all protected through quotas. The National Farmers' Organisation, the American Agriculture Movement and family farmer organisations are all against the US Gatt stance, a fact that is often forgotten amid the din created by US agribusiness and the conservative US Farm Bureau (which claims more members than there are farmers, largely because it awards membership to everyone who buys its insurance).

At least the EC – for all its inadequacies – has tried to spell out the impact on different producer groups of its overall proposal for a 30 per cent cut in support. No such exercise appears to have been carried out in Washington – perhaps because its results might have contradicted the simple message of the US negotiators that a successful Uruguay Round deal would leave everyone better off.

That simply cannot be true for, say, American dairy farmers, who would be highly vulnerable both on price and quality to imported European cheeses after US border protection and EC export subsidies had been swept away.

Two other issues deserve serious attention. One is the impact of free market economics on the environment – a point that has been taken up actively by US conservation groups and is at least acknowledged, if not seriously thought through, in discussion of farm policy reform in Brussels.

The other issue is Washington's apparent faith in the ability of governments to develop new rural aids not linked to production. The idea that "social" problems of the countryside can be resolved by "decoupling" subsidies in this way has been widely swallowed with little accompanying analysis.

There are indeed powerful vested interests lined up against any reallocation of support – but there is a large school of thought on both sides of the Atlantic that believes all subsidies keep "uncompetitive" farmers in business to grow another day.

Simple messages may seem easy to sell – but it is not just the substance of the US approach that has failed to impress in Brussels. The hectoring tactics of the American side have infuriated European politicians in the last few weeks and may yet rebound. With the approach of the single market and the ending of the Cold War, the EC is becoming more than a loose 12-nation trading bloc that can be knocked around with impunity.

Brussels bows to pro-hanging lobby for rabbits and game

By Tim Dickson in Brussels

PEERS OF the realm might well have been raising their glasses in a toast to the European Commission last night following the adoption by the European Community of a new directive that amounts to a reprieve for the ancient British tradition of hanging game.

The original measure on rabbit meat and farmed game was reported to have caused consternation in the English shires and on Scottish estates because of a draft clause specifically outlawing the sale of uneviscerated rabbits and birds.

A distinctly blue-blooded lobbying campaign is understood to have have been mounted to fight off what was seen as the latest European threat to a treasured British tradition. The hapless veterinarian who drew up the Commission proposal was bombarded with angry telephone calls drawing his attention to the merits of hanging game animals, innards and all.

In the end, however, all has ended well and British arguments pointing to the microbiological and textural merits of keeping the innards in after slaughter have carried the day.

Yesterday's agreement only covers farmed, as opposed to wild, game but, as one UK farm representative pointed out, the victory establishes an important precedent for other battles ahead, notably concerning public health standards for Britain's special breed of Traditional Farm Fresh (TFF) or New York Dressed turkeys.

Directives were also passed yesterday on a system for fixing pesticide levels and on the disposal and processing of animal wastes. Despite objections from the Commission the Council agreed a derogation allowing knackers' yards in Britain and Ireland to continue until 1995.

Mr David Curry, Britain's junior farm minister, said that the British negootiators had done their best in the face of hostility from most other member states. And he insisted that a review that is now to be carried out could yet provide this national institution with a reprieve.

Meanwhile, Mr Ray MacSharry, the EC's Agriculture Commissioner, said that he would be asking his commissioner colleagues to extend the current EC standstill on the milk boosting hormone bovine somatotropin (BST) until next August at least.

A group of EC veterinary experts meeting separately in Brussels yesterday put off giving an opinion on two BST products.

Tapioca price rises sharply

By Ronald van de Krol in Amsterdam

A TEMPORARY shortage of Thai tapioca has sent prices sharply higher on the European spot market in Rotterdam.

The spot price has risen steadily over the past couple of weeks to touch a high of DM34 (£11.60) per 100 kilograms yesterday, well up on the average price of DM28 and DM29 seen over the past few months.

Traders attributed the steep price rise to shortages of Thai tapioca, which are expected to last until the end of December, and also to buoyant demand caused by a shortfall in European grain harvests, particularly maize, this summer. Tapioca is sometimes used as a raw material substitute for maize.

A new four-year Thailand-EC export agreement on tapioca shipments is due to take effect on January 1. Thailand normally borrows up to 750,000 tonnes from the new quota to ship at the end of the year, but the Thai borrowings have been lighter than expected, creating shortages for the European feed industry.

"People who can't wait until the New Year or who aren't geared up to substitute another grain for tapioca are prepared to pay exorbitant prices to bridge this period," one trader said.

Traders said that although tapioca prices would probably fall back after January, the underlying trend would remain firm in the early part of 1991.

NZ gold mine starts producing this week

By Dal Hayward in Wellington

NEW ZEALAND'S newest, and largest, hard rock gold mine, Macraes, starts production this week, ahead of the December 1 official opening date.

Initially, Macraes will produce about 55,000 ounces of gold in its first year, with output subsequently rising to 90,000 a year.

The mine has an estimated gold deposit of 1.235m troy ounces, but there are indications that other gold deposits will be available in the area.

The mine is located in an old gold rush area and has brought new prosperity to the town of Macraes Flat, where the population had dwindled to only 20.

The operation is expected to last at least ten years. For each ounce recovered, the mine has to process about 15 tonnes of ore, with an average grade of about 2.11 grammes of gold per tonne.

Canberra gives Moscow farm export credits

By Kevin Brown in Sydney

THE SOVIET Union is likely to return to the market for Australian wool and wheat, and is also interested in purchasing mutton, butter and bauxite, Mr John Kerin, the primary industries minister, who has been on a visit to Moscow, said yesterday.

In a statement issued in Australia Mr Kerin said that he had reached agreement with Moscow on A$525m (£205m) worth of government-backed trade credits for the purchase of wool and wheat.

The minister, who was scheduled to travel from Moscow to Peking for a further round of trade talks with the Chinese government, said the agreement provided a basis for restarting wool exports to the Soviet Union, which was once the biggest buyer of Australian wool.

The Soviet Union withdrew from the market in May after Novoexport, the import agency, said it was unable to pay for wool already shipped. Moscow has agreed to pay an outstanding debt of A$84m before taking up the new line of credit.

Mr Kerin said that he had "established the foundations for a major wheat contract," details of which should be finalised soon with the Australian Wheat Board. Australian wheat sales have fallen from 3.1m tonnes, worth A$500m, in 1985-86 to less than 200,000 tonnes this year.

NEW ZEALAND wool exporters have failed to persuade the government to underwrite wool sales to the Soviet Union, writes Dai Hayward in Wellington.

Last year, Moscow bought NZ$174m (£54m) worth of NZ wool but sales this year have stopped because of late payments by Soviet buyers. It is believed Moscow still owes NZ$35m for wool shipped earlier this year. The New Zealand Dairy Board is owed about NZ$115m.

A consortium of wool exporters asked the government to provide up to $100m of credit for Soviet buyers. Mr Philip Burdon, the trade minister, said such a move would have to be a last ditch operation.

"Credit guarantees are a last desperate option," he said. If guarantees were given, the Wool and Dairy Boards would have to carry their share of the risk.

The return of the Soviet Union to NZ wool sales would bring welcome relief to the hard-pressed wool industry and a lift in prices.

A high level Soviet delegation is to visit Australia in the near future to discuss mutton purchases, but Mr Kerin said butter sales would have to be negotiated jointly with the European Community and New Zealand because of the existence of previous trading agreements.

"In addition to wool, wheat and meat, the discussions also covered a major Australian/Soviet joint venture for the production of alumina (aluminium oxide) and the supply of Australian bauxite (aluminium ore), alumina and manganese. Negotiations in these areas were difficult, but I will be talking to Australian companies on my return," Mr Kerin said.

The potential export deals negotiated by Mr Kerin will be welcomed by the Australian agricultural sector, which has been depressed by falling world prices for many commodities.

Figures published yesterday by the Australian Bureau of Agricultural and Resource Economics showed that the farm sector's average terms of trade declined by 13.2 per cent in the year to September. The bureau calculated that in that period farmers had been paid on average about 58 per cent less for sheep, 32.7 per cent less for vegetables, 19 per cent less for wool and 17 per cent less for wheat.

However, Mr Kerin warned farmers to be "realistic" about market conditions.

"The world grain and butter markets are in oversupply, and prices are low. Sales of wool to the Soviet market should help kick-start depressed wool sales, but they will not remove the need for strong action to reduce Australia's excess supply. We must push on with those measures resolutely," he said.

The Government recently approved wool industry plans to impose quotas and slaughter up to 20m sheep to try to bring production into line with demand, which has been falling sharply in the last two years.

● The Wool Council, which represents growers, said that a report calling for the abolition of the industry's minimum reserve price scheme was misleading and simplistic.

The report, commissioned by an independent group of wool growers, called for a free market in wool, and urged the Government to buy the industry's stockpile of 4.4m bales of unsold wool.

Bird society calls for greener farming

By David Blackwell

THE EC Common Agricultural Policy should be reformed in order to reward farmers for looking after the environment, according to a report from the Royal Society for the Protection of Birds, Europe's largest voluntary wildlife conservation organisation.

The RSPB is launching Agriculture and the Environment: Towards Integration in Brussels this morning and plans to put its ideas to farming organisations and governments throughout Europe.

The report outlines a series of policies under which farmers will not benefit from the CAP unless they are taking part in schemes designed to produce environmental benefits.

Mr Jim Dixon, the RSPB agricultural policy officer, believes the proposals "offer decision makers a realistic way of reducing the budgetary burdens of the CAP. They give stability to farmers' incomes and make the CAP a positive force in the environment, not a destructive one."

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,630-1,670 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.75-2.90 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.30-1.50 (1.50-1.75).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 12.20-12.60 (12.20-12.75).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 165-175 (170-185).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.50-2.60 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 37-49 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.25-2.35 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 11.45 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+3,000	to 312,675
Copper	−3,750	to 174,800
Lead	+175	to 43,850
Nickel	−575	to 2,148
Zinc	+25	to 60,475
Tin	+645	to 12,725

Missing prices

Early editions yesterday were without US prices and some London prices owing to a technical fault at Reuters.

WORLD COMMODITIES PRICES

MARKET REPORT

Three month copper traded down to a 2¼-year sterling low of £1,277 a tonne in kerb trading on the LME. In dollar terms, the three month price breached the $2,525 a tonne chart support base when a flurry of long liquidation triggered stop loss operations and fresh selling. The growing contango (discount for cash metal) reflects slowing industrial growth and substantial stocks of copper, traders said. Both aluminium and zinc were also in retreat on the kerb. Traders said sharp movements in the flagship copper contract were bound to affect overall metal market sentiment but they expected consumer buying at around $1,550 to cushion any fall in aluminium prices. London robusta coffee prices continued to rise on technical factors, but industry support was lacking, according to traders, who doubted if the rally would last. New York arabica prices were lower across the board at midday. Nickel prices advanced on a 575 tonne fall in stocks. Values were also underpinned by news Falconbridge is considering cutting output at its subsidiary in the Dominican Republic because of rising oil prices, traders said.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or −
Dubai	$28.20-8.25v	−0.60
Brent Blend (dated)	$34.60-4.70	−0.55
Brent Blend (January)	$32.60-2.70	−.525
W.T.I. (1 pm est)	$32.65-2.70v	−1.02
Oil products (NWE prompt delivery per tonne CIF)		+ or −
Premium Gasoline	$316-318	−11
Gas Oil	$320-322	−7
Heavy Fuel Oil	$141-143	−2.5
Naphtha	$316-321	−4
Petroleum Argus Estimates		
Other		+ or −
Gold (per troy oz)♣	$385	−2
Silver (per troy oz)♣	413c	−6
Platinum (per troy oz)	$424.00	−6.25
Palladium (per troy oz)	$93.50	−0.10
Aluminium (free market)	$1550	+25
Copper (US Producer)	122½c	
Lead (US Producer)	50c	
Nickel (free market)	385c	+15
Tin (Kuala Lumpur market)	15.66r	−0.19
Tin (New York)	275c	−5
Zinc (US Prime Western)	70c	
Cattle (live weight)†	104.33p	+1.35*
Sheep (dead weight)†	141.41p	−0.89*
Pigs (live weight)†	71.58p	−0.75*
London daily sugar (raw)	$259.2w	−0.8
London daily sugar (white)	$312.6w	−0.5
Tate and Lyle export price	£240	−0.5
Barley (English feed)	£116	
Maize (US No. 3 yellow)	£183.5	+1.0
Wheat (US Dark Northern)	£91u	
Rubber (Jan)♥	51.00p	
Rubber (Feb)♥	51.25p	
Rubber (KL RSS No 1 Dec)	243.0m	
Coconut oil (Philippines)§	$375z	
Palm Oil (Malaysian)§	$352.5u	−2.5
Copra (Philippines)§	$245x	−20
Soyabeans (US)	£133.5	−1.0
Cotton "A" index	82.65c	
Wooltops (64s Super)	[illegible]	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. u-Dec v-Jan. w-Dec/Jan z-Jan/Feb. x-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	226.00		227.00
Mar	221.20	222.60	222.60 220.00
May	221.60	223.00	223.00 221.40
Aug	223.80	225.00	226.00 223.80
Oct	223.60	225.60	225.00 223.60
White	**Close**	**Previous**	**High/Low**
Mar	304.5	307.0	307.0 305.0
May	303.5	307.0	308.5 306.0
Aug	307.0	311.0	310.5 310.1

Turnover: Raw1147 (1538) lots of 50 tonnes. White 595 (1658)
Paris- White (FFr per tonne): Mar 1522, May 1530, Aug 1581, Oct 1478.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jan	32.70	32.82	33.60 32.50
Feb	31.25	31.28	31.99 30.90
Mar	29.80	29.85	30.30 29.70
IPE Index	32.88	30.61	

Turnover: 11298 (14546)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Dec	303.50	309.50	313.75 302.00
Jan	289.50	294.75	298.25 287.00
Feb	272.00	277.75	280.00 271.00
Mar	258.00	260.00	263.00 255.00
Apr	241.00	246.00	250.00 241.00
May	238.00	244.75	246.00 238.00
Jun	235.00		235.00
Jul	232.00		237.00 232.00

Turnover 10816 (13008) lots of 100 tonnes

JUTE
C & f Dundee BTC $580, BWC $560, BTD $480 BWD $495; c and f Antwerp BTC $510, BWC $510, BTD $450, BWD $450.

COTTON
Liverpool- Spot and shipment sales for the week ending 23rd November amounted to 215 tonnes compared to the previous week which amounted to 247 tonnes.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	686	698	705 687
Mar	733	746	758 732
May	766	774	784 764
Jul	776	795	807 775
Sep	796	815	825 794
Dec	832	857	847 821
Mar	846	861	870 856

Turnover: 7693 (3715) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 26 982.75 (991.86) 10 day average for Nov 27 985.98 (954.16)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	[illegible]	590	625 593
Jan	635	607	636 604
Mar	586	576	590 575
May	585	577	589 580
Jul	589	569	602 592
Sep	611	603	616 609

Turnover:12374 (7162) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 26: Comp. daily 70.97 (69.26). 15 day average 69.59 (69.75)

POTATOES – IPE £/tonne

	Close	Previous	High/Low
Apr	140.5	140.8	143.5 140.0
May	160.5		161.0 160.0

Turnover 271 (209) lots of 40 tonnes.

SOYAMEAL – HI-PRO £/tonne

	Close	Previous	High/Low
Feb	115.00		115.50 115.00
Apr	117.50		117.80 117.50
Jun	118.00	118.50	118.00

Turnover 159 (60) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Nov	1330	1325	1330
Dec	1336	1343	1340 1305
Jan	1316	1312	1316 1305
Apr	1265	1271	1270 1265
Jul	1035	1045	1035
Oct	1140		1140
BFI	1324	1317	

Turnover 158 (207)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Jan	120.00	119.85	[illegible]
Mar	123.50	123.35	123.45 123.35
May	126.65	126.60	126.90 126.60
Jun	126.35		126.35
Barley	**Close**	**Previous**	**High/Low**
Jan	116.65	116.95	
Mar	120.15	120.30	

Turnover: Wheat 226 (22), Barley 0 (0). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	87.0	87.3	86.5
Apr	94.5		94.0

Turnover 25 (17) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 10,255 lots
Cash	1540-2	1540-2	1550/1549	1550-1		
3 months	1575-6	1575-7	1585/1572	1584-5	1572-3	69,382 lots
Copper, Grade A (£ per tonne)						Total daily turnover 21,982 lots
Cash	1277-9	1303-5	1294/1255	1292-3		
3 months	1297-8	1316-7	1316/1277	1309-10	1281-2	108,831 lots
Lead (£ per tonne)						Total daily turnover 1,576 lots
Cash	333-5	342.5-4.5	336/336	337.5-8.5		
3 months	341-2	350-0.5	348/340	345-6	339-40	10,820 lots
Nickel ($ per tonne)						Total daily turnover 1,924 lots
Cash	8175-225	8000-10		8270-300		
3 months	8000-25	7875-900	8100/7950	8025-50	8025-50	7,654 lots
Tin ($ per tonne)						Total daily turnover 1,354 lots
Cash	5935-45	6015-35	5935	5990-5		
3 months	5950-60	6030-50	6000/5900	5920-30	5935-40	9,358 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 3,038 lots
Cash	1287-9	1275-8	1288	1287-8		
3 months	1259-60	1286-8	1285/1250	1258-9	1251-2	19,817 lots

LME Closing £/$ rate: SPOT: 1.9740 3 months: 1.9457 6 months: 1.9236 9 months: 1.9150

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	384¼-385¼	194¾-195¼
Opening	385-385½	195¼-195½
Morning fix	384.25	194.991
Afternoon fix	383.80	194.704
Day's high	385¼-385¾	
Day's low	382½-385	
Coins	**$ price**	**£ equivalent**
Maple leaf	[illegible]	[illegible]
Britannia	[illegible]	[illegible]
US Eagle	[illegible]	[illegible]
Angel	[illegible]	[illegible]
Krugerrand	[illegible]	[illegible]
New Sov.	[illegible]	[illegible]
Old Sov.	[illegible]	[illegible]
Noble Plat	[illegible]	[illegible]
Silver fix	**p/fine oz**	**US cts equiv**
Spot	[illegible]	[illegible]
3 months	[illegible]	[illegible]
6 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

TRADED OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	385.3	385.1	0	0
Dec	385.8	386.7	387.0	382.8
Jan	387.6	388.5	0	0
Feb	388.9	389.7	390.0	385.8
Apr	392.1	392.8	393.0	388.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	32.57	32.96	33.40	32.35
Feb	31.60	31.82	32.20	31.40
Mar	30.40	30.58	30.90	30.20
Apr	29.25	29.33	29.50	28.95
May	28.25	28.28	28.40	27.95
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOW JONES (Base: Dec 31 1974 = 100)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	582/2	576/4	583/4	573/2
Mar	595/6	590/2	597/0	587/2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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LONDON STOCK EXCHANGE

Slow session before Conservative vote

LONDON SHARES were left becalmed yesterday as the stock market awaited news on its two areas of current uncertainty – the Gulf and the election of a new leader for Britain's ruling Conservative party. With no developments on either front reported during equity market trading hours, dealers were left to focus on the day's list of corporate news.

Underlying sentiment remained firm, however, and was supported by a steady performance by sterling and an easing in prices for Brent North Sea crude oil. A nervous opening to the new session on Wall Street, down 1.49 Dow points in London trading hours as a US insurance group firmly rejected rumours of a bankruptcy filing, held the UK market back at the close.

Account Dealing Dates		
*First Dealings:		
Nov 19	Dec 10	Dec 31
Option Declarations:		
Dec 6	Dec 27	Jan 10
Last Dealings:		
Dec 7	Dec 28	Jan 11
Account Day:		
Dec 17	Jan 7	Jan 21

*New-time dealings may take place from 8.30 am two business days earlier.

Equities opened firmly but then ran into renewed profit-taking which took the FT-SE Index briefly into negative territory. The Footsie 2,150 area once again proved to be a rallying level and a squeeze on marketmakers' positions sent the market ahead to a net gain of more than 14 points at midday.

Sentiment was helped by reports from the political scene that Mr John Major, currently the UK chancellor of the exchequer and the City of London's favoured candidate in the Conservative party leadership contest, appeared to be gaining support among Conservative members of parliament as the next prime minister.

The stock market is convinced that Conservative electoral prospects will benefit under the new prime minister. Mr Major, who has already delivered one cut in domestic interest rates as chancellor, is closely identified with the City's hopes for another rate cut soon – preferably before the end of the year.

Nervousness over the near term outlook for the Gulf situation moderated following reports that the United Nations Security Council may delay until January 15 a proposed deadline for Iraqi withdrawal from Kuwait. However, the danger of an outbreak of hostilities in the Gulf remains a significant restraining factor for the UK equity market.

There was little substance behind the early gains in share prices yesterday and the pace slackened as London waited for further stimulus. With the outcome of the Conservative party vote not due until after equity trading hours, there was little to provide the UK market with a lead.

Share prices drifted off as the New York market opened lower and the gain on the Footsie was cut to only 6 points at one time. A steadier trend in the final minutes left the FT-SE Index with a final reading of 2,159.5 for a gain of 7.6 on the day.

Among companies reporting yesterday, Allied-Lyons had a tumble after the market took the view that a 10 per cent rise in first-half profits was not good enough. Reuters, the global electronic data information group, made little response to the announcement that News Corporation had sold 11.06m shares.

Rosehaugh, the property group involved in major developments in the City of London, slipped lower after disclosing a loss for the year significantly higher than market expectations. Brent Walker, the troubled leisure group, moved erratically before closing lower on the session.

The return to disappointing levels of business on the stock market was underlined by yesterday's Seaq volume of only 378.6m shares, compared with 345.7m on Monday. Hints of financial tensions among London securities firms resurfaced yesterday.

FINANCIAL TIMES STOCK INDICES

	Nov 27	Nov 26	Nov 23	Nov 22	Nov 21	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	82.43	82.51	81.88	81.79	81.30	83.50	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	89.46	89.26	89.09	88.78	88.46	92.52	92.91 (8/1)	83.80 (30/4)	106.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1699.7	1698.6	1712.2	1672.2	1676.0	1758.3	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	157.6	156.7	155.3	156.0	155.2	290.7	378.5 (6/2)	155.0 (19/11)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2159.5	2151.9	2170.5	2127.9	2126.3	2242.0	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	948.31	950.43	972.78	972.49	972.47♣	-	1000.00 (26/10)	948.31 (27/11)	1000.00 (26/10/90)	948.31 (27/11/90)
Ord. Div. Yield	5.68	5.68	5.63	5.77	5.76	4.82				
Earning Yld %(full)	11.88	11.88	11.78	12.08	12.06	11.01				
P/E Ratio(Net)(☆)	10.20	10.19	10.38	10.04	10.04	10.41				
SEAQ Bargns 4.45pm	23,210	26,707	26,153	26,952	24,126	24,418				
Equity Turnover(£m)†	-	699.28	731.78	872.65	600.79	1137.60				
Equity Bargains†	-	26,226	24,189	24,554	22,339	24,736				
Shares Traded (ml)†	-	368.5	365.4	402.5	378.1	392.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 26/10/90. ☆ Nil 10.03 [illegible]

Ordinary Share Index, Hourly changes — Day's High 1705.9 — Day's Low 1694.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1702.3	1694.6	1700.1	1702.5	1703.3	1705.8	1704.3	1701.5	1698.9

FT-SE, Hourly changes — Day's High 2166.1 — Day's Low 2149.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2156.8	2149.5	2156.5	2160.7	2162.8	2165.8	2163.7	2160.6	2159.1

FT-SE Eurotrack 100, hourly changes — Day's High 951.28 — Day's Low 948.06

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
950.30	950.38	950.16	949.57	949.25	948.79	949.91

GILT EDGED ACTIVITY

Indices*	Nov 26	Nov 23
Gilt Edged Bargains	172.2	174.0
5–Day average	174.9	153.0

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Analysts downgrade Allied

ALLIED-LYONS was the second worst performer among FT-SE 100 stocks yesterday as analysts downgraded the company after the release of interim figures. The 10 per cent rise in profits to £286m was at the low end of expectations and made worse by a higher than forecast contribution from the non-core property side. The stock lost 15 to 483p in good volume of 4m shares.

Mr Graeme Eadie at County NatWest WoodMac said the tax charge payable by the company in the year ending early 1992 would be 34 per cent, rather than 32 per cent. County cut its earnings per share estimate for that year from 56.1p to 52.7p, fully diluted.

Mr John Spicer at Kleinwort Benson reduced his earnings per share forecast from 54.3p to 52.5p. "We already had a 33 per cent tax charge pencilled in for that year," he said. BZW changed its recommendation from a buy to a hold.

Mr Eadie added that demand for the company's shares in the stock market was likely to be held back in the new year. He expects Canadian property company Olympia & York to exercise its conversion rights over 80m convertible shares, almost 9 per cent of the company.

BAe recovers

British Aerospace brushed aside news that Rover plans to cut jobs at its Swindon and Cowley plants and gained 11 to 533p in moderate volume. The rise in BAe's shares follows a setback on Monday stemming from speculation that Saudi Arabia might cancel an order for further Tornado F3 fighters and reports that Germany could pull out of the European Fighter Aircraft project.

Analysts said the market has come round to the view that Monday's drop in BAe may have been excessive, considering that the stories which triggered the fall were not particularly new. Mr John Lawson at Nomura Securities commented: "It has been down and people were ready to hear more positive news."

BAe's recovery was also helped by a recommendation by UBS Phillips & Drew. Mr Paul Compton at UBS said that with tension rising in the Gulf, it was "very wrong" to have BAe at a depressed level.

Siebe were lower with dealers attributing the setback to nervous selling ahead of interim results. These are scheduled for next Tuesday and some analysts have no clear view on what to expect. The figures will include only one month's trading from Foxboro, the US group whose acquisition earlier this year aroused market criticism.

Kleinwort Benson and County NatWest are looking for profits of around £85m, compared with £80.8m last year. Siebe has experienced some decline in its US businesses, but the effects should be countered by cost reduction measures. The crucial factor, one analyst said, could be the state of the balance sheet after the $656m Foxboro takeover. Siebe shares dropped to 274p before closing 9 down on the day at 278p.

British Gas slipped 4¼ to 233½p in heavy trading as some investors took profits. The gas industry regulator Ofgas is pressing British Gas to reverse the price rises imposed on some large users two months ago. "The issue has no major profit implications," according to Mr Chris Rowland of BZW. But he cautions that the move reflects the increasing intrusiveness of Ofgas, which "has no direct powers to regulate these prices". The dispute does not bode well for the review of prices to small users currently in process, Mr Rowland adds.

BZW suggests switching into Shell, citing the dividend growth and yield premium offered by Shell shares.

Analysts said there had been a little switching out of British Gas ahead of the electricity privatisation, but most fund managers are not short of cash for the electricity shares.

Reuters advanced 6 to 649p on reports that News Corporation's holding in Reuters has fallen to 8m shares, or 2.55 per cent of the company's ordinary capital, following disposals of 11m shares. The shares are believed to have moved out of News Corporation's hands as a result of conversions by investors holding preference shares. Last year, News Corp issued $300m of preference shares in the US market. The issue was convertible into Reuters shares held by News Corp.

While shares in BP and Shell were the initial beneficiaries of this week's sharp oil price rise, "second-liners" such as Lasmo and Enterprise made up some ground yesterday.

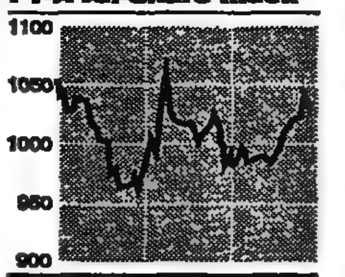
Lasmo led the way, gaining 14 to 438p, while Enterprise rose 9 to 638p. Lasmo held a presentation yesterday to the London Oil Analysts Group, highlighting some of the company's developments.

Most investment funds are "already at least averagely weighted" in oil stocks, analysts said, but some trading accounts are starting to take speculative positions as expectations of a Gulf war in the new year mount.

In the banking sector, Royal Bank of Scotland lost 7 to 147p ahead of final results due tomorrow. The impending results have "refocused attention on some negatives such as debt provisioning", an analyst said. The results are expected to bring more details of the bank's recently announced restructuring.

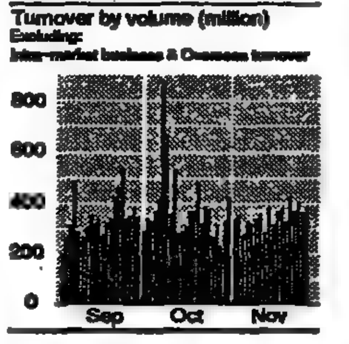
Brent Walker moved erratically as the market waited for news of the fate of the company's £103m bond issue. The shares ended 6 lower at 91p, having been above £1 and below 70p during the session. After trading ended, Brent Walker announced another delay in the completion of the bond issue; the new deadline is midnight on November 30.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Electricals were mixed with Thorn EMI remaining under pressure and shedding 10 to 639p. British Telecom put in an uninspiring performance, slipping 4 to 286p. Some investors were seen to be following brokers' advice and switching out of BT into Cable and Wireless, which advanced 12 to 432p, although volume was thin.

BT has run up very quickly with "privatisation fever", said Mr Chris McFadden at Smith New Court, while C and W has underperformed the market. He argued that C and W looks attractive from the viewpoint of fundamentals.

Acorn Computers, up 5 at 22p, continued to build on gains made on talk that it will form a joint venture company with Apple Computers to develop reduced instruction set computer technology. Acorn confirmed the news on Monday and the new company was formed yesterday.

Rolls-Royce was supported by bargain hunting and edged up 2 to 159p. Strong interim results and bright prospects for the future lifted Vosper Thornycroft. Pre-tax profits for the half year were up to £6.1m from £5.3m and the interim dividend has been raised to 3.5p from 3.125p.

Orders for minehunter vessels have been on the uptrend and Vosper has £400m to £500m worth of work outstanding, according to UBS. "It is a very stable company with a very stable management", and a unique product which provides the foundation for continued growth in the range of 10 to 15 per cent per annum for the foreseeable future, UBS commented. Vosper closed with a gain of 9 at 216p.

The bearish sentiment surrounding Wardle Storeys, the survival equipment company, since the annual results a few weeks ago continued to harm the shares. They fell 9 to 231p on market talk of yet another downgrading, although traders were unable to name the investment house involved.

Conversely, Amersham International enjoyed a further rise on the benefits arising from the recent disposal of its diagnostic division to US group Eastman Kodak. Amersham shares have climbed since the news was announced two weeks ago from 248p to 325p yesterday, 4 higher on the day.

Rosehaugh, the troubled property development concern, reported a much worse than expected annual loss of £165m, against a profit in the previous year of £36m. There is no final dividend payment. The sharp deterioration was due in the main to a £137m provision against property development projects. The company stressed that it is now concentrating on completing, letting and disposing of its trading stock. The shares fell 7 to 101p.

Frogmore Estates announced that it had not received any offers for its issued share capital, and after touching a high of 334p, the shares finished just a net 2 up at 320p. The statement followed recent suggestions in the market that Markheath Securities had received an offer for its 27 per cent holding in Frogmore. Markheath closed 3 ahead at 41p.

A 28 per cent profits improvement at the interim stage from Argyll failed to inspire investors. The shares ended unchanged at 242p. Mr Philip Dorgan at Goldman Sachs said any benefit from the figures was counterbalanced by the company's statement that it would have to rely more on organic growth in the future. The period of conversions of Presto stores to Gateway has ended.

Other food retailers lost ground against the market trend. J. Sainsbury shed 3 to 292p, Tesco gave up 4 to 227p and Asda eased a penny to 126p. Traders suggested that the sector, which had been bought on defensive grounds through most of the year, was now being bypassed in favour of the higher risk stores sector.

Interims from Northern Foods showed profits up 18 per cent to £47m. Mr Michael Landymore at Henderson Crosthwaite said trading was good, especially in high margin biscuits and fresh food. The shares rose 4 to 354p.

Tomkins, the UK conglomerate, moved up 4 to 223p with the help of a buy recommendation from Robert Fleming Securities. Analysts there rate the group one of the best placed within the sector to produce earnings and dividend growth. "As management passes the acid test, share price performance will not look back from a discounted rating," said Fleming.

International Business Communications made a weak return from suspension after announcing the disposal of its design consultancy business. The shares opened at 7p, compared with the pre-suspension price of 31p, and dropped to only 2p before steadying at 4½p.

Dismal half-yearly figures, with profits down 86 per cent and a warning of a continuing trend, lowered Southnews 22 to 50p. But excellent annual results and a positive statement raised Apollo Metals 5 to 130p. The Apollo chairman said prospects look promising, with order books remaining strong.

Barry Wehmiller dropped 37 to 188p after the chairman told shareholders at the annual meeting yesterday that full year results are expected to be creditable by industry standards, but they would not be up to the company's earlier expectations.

Water issues again attracted profit-taking. In spite of the bullish tone of underlying fundamentals, the sector's recent rise proved sufficient to persuade investors to switch elsewhere. The Water Package lost £23 to £2500.

■ Other Market statistics, including the FT-Actuaries share index, Page 27

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	410	110		Cookson	3,100	101	+3
ASDA Group	1,500	126	-1	Courtaulds	586	331	+3
Abbey National	2,800	228	+2	Dalgety	284	351	+1
Allied-Lyons	4,000	483	-15	Dixons	1,400	152	-4
Amstrad	1,000	66	-1	ECC Group	[illegible]	325	+3
Anglian Water	233	382	-1	Enterprise Oil	694	638	+9
Argos	1,200	384		FKI	1,100	90	-1
Argyll Group	5,800	342		Ferranti	54	17	
Ass. Brit. Foods	32	404	-1	Fisons	787	372	+2
BAA	1,700	411	+6	Gen. Accident	985	515	+10
BAT Inds.	1,300	570		General Elect.	2,300	186	-4
BET	4,100	170	+2	Glaxo	[illegible]	[illegible]	[illegible]
BICC	288	346	-2	Glynwed Int.	[illegible]	[illegible]	[illegible]
BOC	1,200	508	+7	Granada	[illegible]	[illegible]	[illegible]
BPB Inds.	691	180		Grand Met.	[illegible]	[illegible]	[illegible]
BTR	1,600	325	+3	GUS A	[illegible]	[illegible]	[illegible]
Bank of Scotland	487	117	+1	GRE	[illegible]	[illegible]	[illegible]
Barclays	3,600	394	+6	GKN	885	356	+4
Bass	388	1032	+5	Guinness	1,700	746	-2
Beazer	542	85	+1	Hammerson "A"	30	585	
Berisford Int.	46	27		Hanson	6,300	190½	+3
Blue Circle	1,800	228	+1	Hanson Warrants	1,200	36	
Boots	3,100	330		Harrisons Crosfield	1,800	141	-5
Brit. Aerospace	1,100	533	+11	Hawker Sidd.	283	433	+8
British Airways	2,800	141	+1½	Hillsdown	1,700	289	+4
British Gas	13,000	233½	-4½	IMI	405	211	+1
British Land	297	288	+1	ICI	1,400	[illegible]	-6
BP	9,400	344	+5	Inchcape	135	345	-5
British Steel	12,000	119½	+1½	Kingfisher	2,000	386	+1
British Telecom	5,000	285½	-4½	Ladbroke	2,800	280	+3
Bunzl	311	86	-1	Land Securities	981	532	+4
Burmah Castrol	417	489	+3	Laporte	234	494	-1
Burton	5,800	90	+3	Legal & General	403	367	+6
Cable & Wire.	1,800	482	+12	Lloyds Abbey	1,600	347	+8
Cadbury	1,500	336	+2	Lloyds Bank	2,300	300	+7
Calor Group	156	213	-2	LASMO	1,800	435	+14
Carlton Comms.	1,200	320	+1	Lonrho	202	209	
Coats Viyella	1,700	120½	+2½	Lucas	1,500	129	
Comm. Union	411	499	+7	Mil Caradon	1,400	185	-3

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
MEPC	437	516	+2	Smith & Nephew	1,500	105½	-1½
Manpower	183	48		SmKl Beecham	2,800	597½	+½
Marks & Spencer	2,600	230	+1	SmKl Beecham Uts.	427	2553	+5
Maxwell Comms.	1,700	140½	+8½	Smiths Inds.	329	218	-2
Midland Bank	2,600	186		South West Water	478	254	
NatWest Bank	3,000	284	+7	Southern Water	77	239	
Next	155	25		Standard Chartd.	894	282	
North West Water	1,000	254	-4	Storehouse	487	124	-1
Northern Foods	1,100	354	+4	Sun Alliance	671	285	+6
Northumbrian Water	375	271	-3	Sun Life	12	1080	+7
Pearson	114	[illegible]	+4	T&N	552	182	+2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal	4,600	180	-1	Thames Water	1,300	235	-3
Racal Telecom	582	276		Thorn EMI	814	639	-10
Rank Org.	394	622	-3	Trafalgar House	594	172	+4
Reckitt & Colman	192	1249	+18	Trusthouse Forte	2,800	285	-2
Redland	385	575	+4	Ultramar	838	341	+3
Reed Int.	64	381		Unigate	1,000	277	+4
Reuters	1,300	649	+6	Unilever	511	[illegible]	+5
Rolls Royce	4,300	159	+2	United Biscuits	874	315	-3
Rothmans	747	705	+1	Utd. Newspapers	542	314	+6
Ryl Bk Scotland	1,700	147	-7	Water Package Uts.	1	£2500	-23
Royal Insurance	1,100	435	+11	Wellcome	588	[illegible]	+10
STC	1,400	318	+1	Welsh Water	238	277	
Saatchi	151	38½		Wessex Water	243	242	-1
Sainsbury	1,900	292	-3	Whitbread "A"	737	440	-3
Scottish & New.	989	354	-3	Wiggins Teape	1,600	176	
Sears	4,800	80	-1	Williams Hldgs.	1,500	296	+2
Sedgwick	64	280	+1	[illegible]	1,300	[illegible]	+2
Severn Trent Water	712	224	-3	Wimpey	542	213	-1
Shell Transport	7,200	487	+3	Yorkshire Water	96	[illegible]	+5
Siebe	895	278	-9				
Slough Ests.	321	243	-1				
Smith (W.H.) A	490	386	+6				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (18).
BRITISH FUNDS (1) CORPORATION LOANS (1) BUILDINGS (2) STORES (1) ELECTRICALS (1) INDUSTRIALS (2) Apollo Metals, Kalon, SHOES (1) TRUSTS (8).
NEW LOWS (87).
AMERICANS (4) CANADIANS (1) BANKS (2) BUILDINGS (3) STORES (5) ELECTRICALS (6) ENGINEERING (4) FOODS (3) INDUSTRIALS (14) Alfa-Laval B, Barry Wehmiller, Bluebird Toys, Dean & Bowes, Gieves, [illegible], MITIE, McLeod Russel, Platon Intl., Proudfoot (A), Stora B Free, TT Group, Third Mile Inv., West Industries, INSURANCE (1) LEISURE (8) NEWSPAPERS (2) PAPERS (6) PROPERTY (1) TEXTILES (2) TRANSPORT (1) TRUSTS (15) OILS (1) OVERSEAS TRADERS (2) PLANTATIONS (2) MINES (7) THIRD MARKET (2).

APPOINTMENTS

Prudential restructure

■ PRUDENTIAL CORPORATION has made the following changes from January 1. Mr Keith Bedell-Pearce *(pictured)*, director and general manager, field operations and marketing, home service division, is promoted to chief executive of Prudential Marketing Services,

the holding company which controls Prudential Holborn, and Prudential Corporate Pensions. He will be joined by Mr Trevor Pullen, international director, Prudential Portfolio Managers, who will become operations director.

Mr Terry Shrimpton becomes director and general manager, field operations; Mr Raoul Pinnell will become marketing director, and Mr Derek Austen, finance director. All become members of the home service board.

Mr Austen will be succeeded by Mr Richard Brewster as finance director at Prudential Portfolio managers.

Mr Peter Nowell, chief executive, Prudential Corporate Pensions, becomes group chief actuary designate. He will take over from Mr Hugh Jarvis as group chief actuary and appointed actuary of the Prudential Assurance Company when Mr Jarvis retires in April.

Mr Richard Gawthorne, finance director, Prudential Corporate Pensions, additionally assumes operational responsibility.

■ Mr Bernard Harvey has been appointed development director of THIRD WAVE SYSTEMS. He takes over from Mr Umen Bewtra who has become managing director. Mr Harvey was business unit director (finance systems), Software Sciences.

■ Mr Paul Wesley has been appointed engineering director of Noble and Lund, part of the FMT GROUP. He will be responsible for Kearns-Richards, recently acquired by the group.

■ NESTOR BNA has appointed Mr James Elmslie as president and chief executive officer of its US subsidiary MRA Staffing Systems Inc from January 1, succeeding Mr Norman Thoms. Mr Elmslie was president and chief executive officer of American Nursing Resources Inc.

■ ANDREW SYKES has appointed Mr David Birtles as director of marketing. He was director of Cleanaway.

■ PRIMESHARE INTERNATIONAL has appointed Mr Tony Makowiecki as sales and marketing director.

■ JOHN WILLIAMS INDUSTRIES has made two main board appointments. Mr Russell Glyn Davies is appointed group financial director, a position he held with Players (UK) prior to its acquisition by JWI last year. Mr Robert Stuart Palmer, managing director of Economic Drums, an engineering company within Players (UK), assumes overall responsibility for engineering activities within JWI as a board director. Mr Russell Davies has been made company secretary.

■ The board of managing trustees of MUNICIPAL MUTUAL INSURANCE has appointed Mr Maurice Stonefrost as chairman of the company. He is a trustee of Municipal Mutual, and chief executive of the British Rail Pension Trustee Co.

■ SCHWARZKOPF, a subsidiary of Hoechst, has appointed Mr Philip Luckett as managing director. Previously managing director of consumer goods for Lionheart, Mr Luckett takes over from Dr Raimund Haje.

■ Mr Graham Spooner, a director of investment capital group 3i, has been appointed director in charge of the south west, based in Bristol.

■ MARKHEATH SECURITIES has appointed Mr Peter M. Paul as managing director of subsidiary Camford Engineering. He joins from BBA Group where he was managing director of the UK automotive components division.

ANZ GROUP PRIVATE BANKING has appointed Mr Peter Willis *(pictured)* to the position of assistant general manager, private banking, London. He joins from ANZ Group in Australia, where he was involved in the commercial lending area in Sydney.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
99⅞	97¼	Treas 11½pc 1991	99⅞		11.79	13.43
98¼	92¼	Funding 5¾pc '87-91	[illegible]		5.86	10.30
97⅛	89¼	Treas 3pc 1991	97⅛		3.08	8.73
99¼	94	Treas 10pc Cv '91	99¼		10.09	11.56
99	94	Exch. 11pc 1991	99		11.04	11.50
97	90	Treas 8pc 1991	97		8.24	11.10
101	97	Treas 12¾pc 1992	101		12.56	11.30
98	92	Treas 10pc 1992	98		10.14	11.24
96	89	Treas 8pc 1992	96		8.30	10.99
99	93	Treas 10½pc Cv 1992	99		10.58	11.17
93	82	Treas 3pc 1992	93		3.22	7.93
101	95	Exch 12¼pc '92	101		12.05	11.25
104	98	Exch 13½pc 1992	103		13.00	11.12
94	86	Treas 8¼pc 1993	94		8.71	10.98
98	90	Treas 10pc 1993	98		10.19	11.01
103	[illegible]	Treas 12½pc 1993	103		12.12	11.07
92	82	Funding 6pc 1993	92		6.51	9.30
107	99	Treas 13¾pc 1993	106		12.87	11.05
93	84	Treas 8¼pc 1994	93		9.07	10.90
111	102	Treas 14½pc 1994	110		13.15	10.74
107	99	Exch 13½pc 1994	107		12.58	10.89
98	88	Treas. 10pc Ln. 1994	97		10.21	10.77
105	96	Exch. 12½pc 1994	104		11.92	10.91
94	85	Treas 9pc 1994	94		9.54	10.76
104	94	Treas 12pc 1995	103		11.54	10.81
86	75	Exch 3pc Gas 90-95	86		3.47	8.03
98	88	Exch. 10¼pc 1995	97		10.47	10.85

Five to Fifteen Years — [illegible]

Over Fifteen Years — [illegible]

Undated — [illegible]

BRITISH FUNDS—Contd

Index-Linked (b)

1990 High	1990 Low	Stock	Price £	+ or –	Yield (1)	Yield (2)
126	110	Tr. 2pc '92	(97.8)		[illegible]	[illegible]
116	103	Do. 2 '94	(102.9)		[illegible]	[illegible]
171	150	Do. 2pc '96	(67.9)		[illegible]	[illegible]
139	123	Do 2½pc '01	(78.3)		[illegible]	[illegible]
135	119	Do. 2½pc '03	(78.8)		[illegible]	[illegible]
136	122	Do. 2pc '06	(69.5)		[illegible]	[illegible]
126	113	Do. 2½pc '09	(78.8)		[illegible]	[illegible]
130	117	Do. 2½pc '11	(74.6)		[illegible]	[illegible]
107	97	Do. 2½pc '13	(89.2)		[illegible]	[illegible]
115	105	Do. 2½pc '16	(81.6)		[illegible]	[illegible]
113	102	Do. 2½pc '20	(83.0)		[illegible]	[illegible]
95	86	Do. 2½pc '24	(97.7)		[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1990: 121.4 and for October 1990: 130.3.

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100	94	African Dv Bk 11¼ Ln 2010	[illegible]		[illegible]	[illegible]
98	80	Asian Dev Bk 10½pc Ln 2009	[illegible]		[illegible]	[illegible]
110	80	Int.-Am Dev Bk 12½pc 2003	[illegible]		[illegible]	[illegible]
91	76	Do. 9½pc Ln 2015	[illegible]		[illegible]	[illegible]
110	58	Utd. Mexican States 16½pc 2008	[illegible]		[illegible]	[illegible]

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
104	86	Birmingham 11½pc 2012	[illegible]		[illegible]	[illegible]
93	84	GLC 6¾pc 1990-92	[illegible]		[illegible]	[illegible]
108	95	Leeds 13½pc 2006	[illegible]		[illegible]	[illegible]
30	25	Liverpool 3½pc Irred	[illegible]		[illegible]	[illegible]
3	24	LCC 3pc '20 Aft	[illegible]		[illegible]	[illegible]
94	85	Manchester 11½pc 2007	[illegible]		[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies — [illegible]

Public Board and Ind. — [illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21	5	Chase Manhattan $12½	[illegible]	+½	$1.20	–	23.1
19	524p	Chem. Banking Corpn.	[illegible]	+14	$1.00	–	8.5
12	5	Chrysler $6¼	[illegible]	+¼	$1.20	–	10.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro Fl5	£9¼	......	Q28%	2.1	8.9	5.3
303	145	ANZ $A1	149	......	44c	1.9	11.4	6.2
233	172	Abbey National 10p	229	+2	5.7	4.5	3.3	9.3
•274	128	Allied Irish Ord	149xd	......	†Q40%	3.3	6.0	6.8
85	47	Anglo Irish	57	....	Q17.9%	◆	7.3	◆
93	61	Ansbacher (H.) 1p	61	......	2.5	1.3	5.5	17.6
£71¼	£32¾	Bancaire Cie Fr100	£46¼	+¼	hQ12½%	–	2.8	–
£22¼	£13	Banco Bilbao Viz	£13	−¼	Q49.1%	2.7	6.2	8.9
280	130	Bank Ireland Ir£1	149xd	−1	Q14.7%	2.9	8.8	5.2
£19½	£18	Bank Leumi	£19½	....	–	–	–	–
351	320	Bank Leumi (U.K.)	350	......	†15.0	–	5.7	–
129½	100	Bank Scotland	117	+1	†4.55	3.4	5.2	7.5
100¼	83¼	Do. 9½pc Irrd Pf	99½	......	9½%	–	12.4	–
54	39	Bank of Wales	42	....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	394	+9	th19.57	3.5	6.6	5.5
22	10	Benchmark 20p	10	−1	0.75	–	10.0	–
335	224	Brown Shipley £1	224	−1	‡12.0	2.2	‡	7.1
•435	285	Cater Allen £1	380xd	+1	F24.5	–	8.6	–
179	29	Chancery	39	......	‡9.0	2.7	‡	1.6
£23¼	£14	Commerzbk DM10	£15¼	−¼	Q18%	–	4.0	–
£13¼	620	Dai Ichi KGk Y50	719	−7	Q17%	6.2	0.5	33.9
£313¼	£189¼	Deutsche Bk DM50	£204½	−3½	Q28%	–	2.3	–
£20¾	£14¼	Espirito Santo	£15¼	......	Q75c	5.1	2.4	8.1
253	166	First Nat. Fin. 10p	190	−3	13.0	2.1	9.1	6.5
121	82	FNFC 6.3pc Cv. Pf	96	......	6.3%	–	8.7	–
£13¼	633	Fuji Bank Y50	847	−13	†Q17%	6.9	0.4	36.0
325	262	Gerrard & National	311	−2	19.0	–	8.1	–
154	80	Guinness Mahon 10p	80	−2	1.45	◆	2.4	◆
328	194	Hambros 20p	236	......	11.5	–	6.5	–
128	88	Do. 7.5pc Cv Pf	97	......	7½%	–	10.3	–
53½	29	HK & Shang. HK$2.50	30	......	th039c	–	8.5	–
478	373	Joseph (Leo) £1	373	−5	15.85	–	5.7	–
150	105	King & Shaxson 20p	126xd	+1	10.25	–	10.8	–
422	262	Kleinwort Benson Grp	287	......	16.0	2.5	7.4	6.8
642	316	Kyowa Bank Y50	395	−4	Q14%	◆	0.8	◆
316	220	Lloyds £1	300	+7	†13.3	2.6	5.9	7.0
56	44	Lon. Scot. Bank 10p	47	......	†2.4	1.9	6.8	9.3
404	176	Midland £1	199	......	†18.0	2.6	12.1	4.1
£14¼	£10½	Mitsubishi Bank Y50	£10½	......	†Q17%	◆	0.3	◆
£12¾	£4¾	Mitsubishi Tst & Bk Y50	£5¾	......	Q17%	12.4	0.2	14.1
£10¾	£4¾	Mitsui Taiyo Kobe Y50	£6¾	−¼	†Q16%	6.0	0.5	34.4
904	410	Mitsui Tst & Bk Y50	510	−16	Q17%	◆	0.7	◆
326	220	Nat Aust. Bk A$1	234	+1	Q55c	◆	9.4	◆
368	227	NatWest £1	294	+7	†16.7	3.3	7.6	5.4
£210	£115	Ottoman Bank	£115	......	Q110%	2.8	9.6	3.7
55	26	Rea Bros Group	28	–	0.5	3.2	2.4	14.0
227	119	Royal Bk. Scotland	147	−7	†7.2	3.8	6.5	5.2
795	338	Saitama Bank Y50	389	−12	◆Q14%	◆	0.7	◆
£12¼	567	Sanwa Bank Y50	711	+3	Q17%	6.7	0.9	31.2
902½	613	Schroders £1	688		h12.5	5.9	2.4	9.3
712½	413	Do. £1 N/V	468	......	h12.5	5.9	3.6	6.3
£25¼	£9¼	Sec. Pacific $10	£11¼	+1	Q$2.52	–	10.9	–
616	235	Standard Chartd £1	283	......	35.0	1.4	16.5	(5.3)
£16¼	£5¾	Sumitomo Bank Y50	£6¼	......	thQ16%	7.5	0.3	28.0
£11	£4¾	Sumitomo Tst & Bk Y50	£6¼	−¼	Q17%	6.9	0.6	26.0
147	114	TSB	141	+1	†5.8	2.5	5.5	9.2
175	117	TSB Bank Ch Is I	117	−2	†06.7	3.5	5.7	5.8
£46¾	£4¼	Tokai Bank Y50	£5¾	......	Q16%	4.1	0.6	38.5
920	484	Toyo Tst & Bk Y50	679	−9	◆Q15.2%	6.9	0.4	30.4
611	499	Union Discount £1	581	+1	33.0	–	7.6	–
525	284	Warburg (S.G.)	329xd	+3	15.0	3.0	6.1	7.4
180	98	Do. 6pc Cnv Prf	112	+1	6%	–	7.1	–
279	147	Westpac $A1	162	......	Q52.5c	◆	13.2	◆
420	303	Wintrust 20p	303	......	8.7	4.2	3.8	8.4
969	509	Yasuda Tst & Bk Y50	594	−11	Q17%	◆	0.6	◆

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
175	40	CLF Yeoman 50p	50	......	Q18.5%	3.3	17.9	2.4
71	48	Cambridge Grp Ir5p	50	...	†Q7½%	15.6	0.6	12.1
55	11	‡Capital Leasing Ir10p	36½	......	[illegible]	3.5	2.9	9.0
68	50	Cattle's (Hdgs) 10p	55	−7	†3.9	1.9	9.5	7.9
436	362	Prov. Financial	417	+2	†20.5	2.1	6.6	9.6
•232	134	‡Reflex Invs Ir5p	137	......	◆Q51%	7.9	1.7	10.1
225	192	Secure Trust Grp. 1p	197	......	†8.9	2.8	5.8	9.3
210	135	Woodchester IR20p	162	+2	†Q16.7%	5.9	1.8	12.1

BEERS, WINES & SPIRITS

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS – Contd

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS – Contd

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING – Contd

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES, ETC

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOTELS AND CATERERS

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd.

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEISURE

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MOTORS, AIRCRAFT TRADES

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial Vehicles

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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... 3rd floor flat with garage 2 ... 3 beds, 2 baths. Lift. Porter. Park Lane Estates 071 629 ...

executive flat 3 bed, 2 bath, balconies, gar. £400 p.w. Tel 071 723 0844

to have a 4' bed ... designed and constructed by Master builder, with harbour views from 1st floor, for around £330,000. Tel. 0202 ...

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MOTORS, AIRCRAFT TRADES – Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

For York Trust see Babcock Prebon

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

Stock	Price
3¼ Moray Firth 1p	3¼
19 Navan Resources	19
20 Ovoca Gold IR 2p	23 +3
21 Oxford Virology 5p	21
61 Poddington 5p	77½
65 Ramsden's (Harry)	71
24 Rentaminster 5p	24
6 Sempernova	6 –2
15 Sleepy Kids 5p	15 –1
1¼ Systems Connections	1¼
40 Tomorrows Leisure 20p	40
27 UPL Group 10p	32
16 Video Magic Lsk. 1p	16
2¼ Vista Ents 5p	2½
1¼ Wilton Group 1p	1¼

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

● "Tap Stock"
• Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed.
# Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
♣ Not comparable
♦ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
■ No par value

B.Fr. Belgian Francs. Fr. French Francs ■ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1	700xd	
Finlay Pkg. 5p	38	+2
Holt (Jos) 25p	1305	
Carrol (P.J.)	154	
Helton Hldgs.	40	
IRG	153½	
United Drug	133	

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991	£98¼	
9pc Cap Ln. 1996	£93¼	
Fin. 13% 97/02	£118½	
Arnotts	167½xd	

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp.	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	10½
Brit. Telecom	22
Cadburys	26
Charter Cons.	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5½
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met.	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd.	39
ICI	70
Ladbroke	22
Legal & Gen.	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds.	11
Marks & Spencer	18
Midland Bk.	20
Nat West Bk.	18
P & O Dfd.	42
Racal Elect.	14
RHM	25
Rank Org Ord.	49
Reed Intnl.	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property

	p
Brit Land	24
Control Secs.	3½
Land Securities	42
MEPC	38
Mountleigh	11

Oils

	p
Arina Petlm.	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm.	20
Gaelic Res.	2
Premier	8½
Shell	40
Tuskar Res.	6
Ultramar	32

Mines

	p
Lonrho	21
RTZ	40

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,050 a year for each security shown, subject to the Editor's discretion.

Glaxo Holdings Glaxo Holdings Glaxo Holdings Glaxo Holdings Glaxo Holdings

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	38.91	39.2	41.7	[illegible]	[illegible]
Gilts & Fixed Int	6	110.2	110.2	117.0	+0.3	[illegible]
High Inc Equity	6	117.4	120.7	128.3	-0.6	[illegible]
Worldwide Bond	6	190.3	190.3	201.7	-0.1	7.44
Capital Growth						
American Growth	6	144.7	144.7	154.7	+0.2	[illegible]
Asian Pacific	6	93.40	95.41	101.5	-0.3	[illegible]
Assets & Earnings	6	143.9	147.5	156.9	-0.9	3.45
Capital Reserve Acc	0	[illegible]	[illegible]	100.0	+0.02	7.14
Capital Reserve Inc	0	83.96	83.96	84.08	-0.05	7.14
Comm & Energy	6	73.31	73.31	78.40	-0.42	[illegible]
1992 Enterprise	6	54.54	55.92	59.48	-0.3	[illegible]
Euro Capital Acc	6	82.09	82.09	87.79	-1.38	[illegible]
Euro Capital Inc	6	78.82	78.82	84.29	-1.33	[illegible]
General	6	151.0	151.0	161.4	-1.4	[illegible]
Japan	6	83.88	83.88	89.71	-0.67	0.00
[illegible]	6	75.29	75.29	80.52	[illegible]	[illegible]
UK Growth Acc	6	136.7	136.7	146.2	-0.1	3.02
UK Growth Dist	6	88.38	88.38	94.52	-0.07	3.02
US Emerging Cos	6	39.63	39.63	42.38	-0.03	0.00
[illegible]	6	262.2	262.2	280.4	-1.7	[illegible]
Ethical	6	40.67	41.83	44.55	-0.02	[illegible]
International	6	50.65	51.38	54.65	-0.36	[illegible]
Dividend & Growth	6	42.05	43.11	45.86	-0.13	[illegible]
Global Gwth & Sec	6	47.16	47.49	50.55	-0.18	[illegible]

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: Also called issue price. [illegible]

BID PRICE: Also called redemption price. [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

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[illegible]

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing: 0296 312256						
American Eagle	5	57.45	57.45	61.33	+0.51	1.25
Australia	5	5.21	5.220	5.570	-0.01	4.78
Equity	5	144.6	144.6	155.2	+0.8	4.96
Euro Spec Sits	5	99.84	99.84	106.9	-1.5	.46
Financial	5	25.58	25.75	27.7	+0.35	5.39
Global Opps Inc	5	56.28	56.28xd	60.51	-0.33	0.00
Global Opps Acc	5	57.5	57.5	61.83	-0.33	0.00
Gold & Gen Inc	5	33.97	33.97xd	36.51	—	1.10
Gold & Gen Acc	5	63.50	63.50	68.25	—	1.10
Income	5	89.99	89.99	96.75	+0.46	6.41
Japan & General	5	109.5	109.5	117.8	-0.7	0.00
Preference Share	5	17.72	17.72xd	19.08	-0.28	13.90
UK Capital	5	78.97	78.97	84.89	+0.49	4.11
World Income	5	53.82	53.82xd	57.75	-0.01	6.12
Worldwide Capital	5	147.1	147.1	158.3	+0.3	3.45
Templeton Unit Trust Managers Ltd (1200)F						
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932						
Global Growth Acc	6	90.20	90.20	96.47	-1.11	3.61
Global Growth Inc	6	86.67	86.67	92.69	-1.06	3.61
Global Balanced Acc	6	92.59	92.59	99.02	-0.92	4.69
Global Balanced Inc	6	86.25	86.25	92.25	-0.85	4.69
Value Tst Acc	6½	68.77	69.72	74.57	-0.17	4.45
Value Tst Inc	6½	67.05	67.98	72.70	-0.17	4.45
Intl Fxd & Cf Inc	2	85.68	85.97	91.90	—	9.97
Intl Fxd & Cf Acc	2	82.68	82.92	88.10	—	9.97
Thornhill Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE 071-251 6767						
Capital	5	47.08	47.27	50.28	—	—
Overseas	5	39.44	39.65	42.15	—	—
(Accum Units)	5	—	—	—	—	—
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 0DH 071-493 7262						
Dealing 071-493 8545						
American Oppt	5	40.67	40.67	43.37	+0.04	0.26
(Accum Units)	5	41.35	41.35	44.43	+0.04	0.26
Cash	0	51.21	51.21	51.21	—	14.00
Accum Units	0	51.21	51.21	51.21	—	14.00
European Opps	5	54.02	54.02xd	57.54	-0.78	0.00
(Accum Units)	5	54.32	54.32xd	57.86	-0.78	0.00
Far Eastern Opps	5	96.99	97.01	103.47	-0.04	0.00
(Accum Units)	5	97.63	97.64	104.13	-0.04	0.00
Golden Opps	5	24.96	24.96	26.52	+0.01	0.00
(Accum Units)	5	25.68	25.68	27.28	+0.01	0.00
Intl Hi-Yield	5	46.84	46.84	49.90	-0.12	5.52
(Accum Units)	5	51.06	51.06	54.40	-0.13	5.52
Sanyo Japan Tst	5	56.32	56.12	59.79	-0.37	0.00

	Bid Price	Offer Price	+ or -	Yield Gr's
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt, Nov 28	36.8	38.2	-0.60	2.79
Euro Expt Nov 28	45.9	48.1	-1.10	2.57
Fixed Int Ex Nov 28	45.5	46.7	+1.00	10.92
Japan Expt Nov 28	39.6	41.2xd	+0.40	0.70
Managed Ex Nov 14	37.4	38.8xd	—	4.92
SE Asia Expt Nov 28	54.1	56.8	-0.60	4.63
Sm Cos Expt Nov 28	28.2	29.6xd	+0.50	6.07
UK Eqty Ex Nov 28	36.1	37.9	+0.50	4.61
Phillips & Drew Fund Management Ltd				
Small Co's Nov 6	599.8	632.5xd	—	5.89
Do Accum	656.8	705.2	—	5.89
Int Expt Nov 21	143.5	145.7	—	3.49
UK Index Nov 6	960.6	982.0	—	6.06
Do Accum	1016	1037	—	6.06
Convertible Nov 23	79.55	82.17	+1.51	9.06
World ex UK Index Nov 26	636.2	644.8	-0.4	2.28
Do Accum	636.2	644.8	-0.4	2.28
Japan Index Nov 26	520.1	527.7	+7.8	0.54
Do Accum	521.1	528.6	+7.8	0.54
USA Index Nov 26	728.9	735.7	-4.1	3.51
Do Accum	739.2	743.9	-4.2	3.51
Europe ex UK Index Nov 26	773.2	792.4	-18.6	4.0
Do Accum	785.2	804.6	-18.9	4.0
Pacific ex Jap Index Nov 26	715.9	735.9	+0.5	5.48
Do Accum	729.4	749.7	+0.5	5.48
Managed Exempt Nov 21	90.06	92.71	—	5.9
American Exempt Nov 21	97.31	98.91	—	4.56
European Exempt Nov 21	101.7	105.1	—	3.73
Japan Exempt Nov 21	99.37	100.6	—	0.36
Pacific Basin Nov 21	96.46	98.96	—	4.91
RM Rothschild Asset Management Ltd				
NC Managed	52.9	56.3xd	-0.4	4.31
NC Property	174.3	191.2	—	—
J. Rothschild Fund Managers Ltd				
Intl Exempt Accum	118.3	119.2xd	—	4.21
Stewart Ivory & Co Ltd				
Saints PPP Oct 12	224.9	236.8	—	—
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Nov 1	81.55	85.60xd	—	4.83
(Accum Units)	83.81	88.05xd	—	4.83
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	894	902	—	2.96
TR Exempt Nth Amer	703	718	—	4.04

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	306.3	322.5		-
UK Equity	387.3	407.7	+0.2	-
Overseas Eq	283.5	298.5	-0.6	-
Americas	206.5	217.4	+0.5	-
Far East	296.8	312.5	[illegible]	-
Property	193.1	203.3	-0.2	-
Fixed Int	239.5	252.2		-
Indexed Gilt	150.1	158.1		-
Deposit	172.9	182.0		-
Pension Fund (Accum Units)				
Managed	424.1	446.5	-0.2	-
UK Equity	495.2	521.3		-
Overseas Eq	464.6	489.1	-1.2	-
Americas	272.7	287.1	[illegible]	-
Far East	494.1	520.2	-1.7	-
Property	240.2	252.8	-0.3	-
Fixed Int	291.3	306.7	+0.3	-
Indexed Gilt	165.2	173.9		-
Deposit	238.1	250.7	+0.1	-
NPI Pensions Management Ltd				
Managed Fund	928.8	945.4		-

Prices Nov 1 Next dealing Dec 3

Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	62.2	65.5		-
Stock Market Mngd Fund	58.3	61.5	-0.1	-
Equity Fund	67.6	71.2	+0.2	-
International Fund	50.2	52.8	[illegible]	-
European Fund	60.0	63.2	-0.5	-
North American Fund	48.1	50.6	[illegible]	-
Pacific Fund	50.1	52.8	-0.1	-
Property Fund	86.9	91.4		-
Fixed Interest Fund	54.2	57.1		-
Index Linked Sec Fund	61.0	64.2		-
Deposit Fund	66.4	69.9	+0.1	-
NUAM Retirement Plans				
Mixed Fund	67.6	71.2		-
UK Ordinary Share Fd	78.1	82.2	+0.2	-
International Fund	54.3	[illegible]	-0.2	-
Property Fund	84.1	88.5		-
Fixed Interest Fund	64.9	68.3	-0.1	-
[illegible]	64.4	67.8		-
Deposit Fund	77.1	81.2		-
NUAM (MF)				
Managed Fund	879.6	925.9		-
Equity Fund	1857.9	1955.7	+3.1	-
International Fund	132.5	139.5	-0.4	-
Property Fund	549.8	578.8	[illegible]	-
Fixed Interest Fund	406.5	427.9	+0.3	-
Index Linked Sec Fund	62.1	65.4		-
Deposit Fund	272.8	287.2	+0.1	-

Norwich Union Life Insurance Soc.
Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Life				
With Profits Fd	106.60	112.21	+0.03	-
Managed Fd	83.46	87.85	-0.02	-
UK Ord Share Fd	87.92	92.55	+0.11	-
International Fd	74.13	78.03	-0.28	-
European Fd	82.85	87.21	[illegible]	-
North American Fd	73.21	77.07	+0.21	-
Pacific Fd	63.37	66.71	-0.13	-
Property Fd	99.72	104.96	+0.02	-
Fixed Int Fd	96.95	102.05	-0.04	-
Intl Bond Fd	88.30	92.95	[illegible]	-
Deposit Fd	107.28	112.92	[illegible]	-
Unitised Pensions				
With Profits Fd	141.00	148.42	+0.05	-
Managed Fd	[illegible]	142.78	+0.06	-
UK Equity Fd	144.40	152.00	+0.30	-
International Fd	128.96	135.75	-0.50	-
European Fd	133.11	140.12	-1.29	-
North American Fd	122.33	128.77	+0.30	-
Pacific Fd	93.30	98.22	[illegible]	-
Property Fd	152.92	160.97	+0.02	-
Fixed Int Fd	114.96	121.01	-0.04	-
Intl Bond Fd	113.83	119.82	-0.25	-
Bldg Soc Dep Fd	134.69	141.78	+0.05	-
[illegible]				
Mixed Fund	363.7	382.8	+9.6	-
Ordinary Share Fund	537.6	565.9	+23.8	-
International Fund	139.1	146.4	-0.7	-
Property Fund	259.3	272.9	+0.3	-
Fixed Interest Fund	319.4	336.2	[illegible]	-
[illegible]	179.9	189.4	+1.9	-
Deposit Fund	240.3	252.9	[illegible]	-
Norwich Units Oct 15	877.91			-
Jersey Investment Plan				
With Profits Fund	105.08	110.61	+0.04	-
Intl Equity Fund	75.14	79.09	-0.29	-
Intl Bond Fund	96.02	101.08	-0.09	-

Pearl Assurance (Unit Funds) Ltd
Thorpe Wood, Peterborough PE3 6SA 0733 63212

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Dist. (Gross)	152.5	160.6		-
Prop. Acc. (Gross)	275.9	[illegible]		-
Equity (Gross)	[illegible]	765.9	-4.3	-
Managed (Gross)	515.1	[illegible]	-2.2	-
Prop. Acc. (Net)	[illegible]	136.2		-
Equity (Net)	169.9	178.9	-0.9	-
Managed (Net)	158.5	166.9	-0.6	-
International (Net)	139.9	147.3	-1.0	-
Gilt & Fxd Interest	112.1	118.1		-
Money Fund	121.4	127.8	+0.1	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	545.3	574.0	-3.3	-
Ret Man (Series 2)	194.6	[illegible]	-1.1	-
Ret Man (Series 3)	123.7	[illegible]	-0.7	-
Ret Cash	165.9	174.2		-
Ret Cash (Series 3)	137.9	[illegible]	+0.1	-

Pegasus Assurance Ltd
Broad Quay, Bristol BS1 4DJ 0272 230271

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Aggressive	83.5	87.9	-0.2	-
Managed Balanced	84.4	88.9	-0.3	-
Managed Cautious	90.2	95.0	[illegible]	-
Pension Funds				
Managed Aggressive	85.8	90.3	-0.3	-
Managed Balanced	86.7	91.3	-0.5	-
Managed Cautious	92.4	97.3	+1.1	-

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd N, Waterloo, Liverpool 051-928 6655

[illegible]

Sun Alliance International Life
PO Box 77, New St, St Peter Port, Guernsey 0481 714108

	Bid Price	Offer Price	+ or -	Yield Gross
North American Equity $	57.85	8.43		-
Pacific Equity $	57.34	7.90		-
Intl Currency $	54.26	4.39		-
Intl Bond Fund $	57.02	7.56		-
Gilt Fund £	£4.05	4.37		-
US Dollar Mngd Fd $	$1.59	1.71		-
Stg Managed Fd £	£1.00	1.07		-

Target International Group
1 rue Emile Bian, Luxembourg Tx 2809 Tel 4050751

[illegible]

J. D. Ward Financial Services Ltd
4 Conway, London [illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Target Mngd Bond	[illegible]	[illegible]	+1.0	
Target Mngd Pension	[illegible]	[illegible]	+0.3	
Albany Life Acc	[illegible]	[illegible]	-0.1	
Albany Pens Acc	[illegible]	214.8		

OFFSHORE AND OVERSEAS

BERMUDA

CANADA

GUERNSEY

OFFSHORE INSURANCES

MANAGEMENT SERVICES

[illegible]

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IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Wardley Investment Services –Contd.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or –	Yield Gr's
Sterling Reserve		£–	5.14	5.41	+0.01	–
US Dollar Reserve		$–	9.92	10.43	–0.01	–

LUXEMBOURG (REGULATED)(**)

	Bid Price	Offer Price	+ or –	Yield Gross
Asian Development Equity Fund				
Portfolio A Nov 23	$15.79			–
Portfolio B Nov 27	$13.03			–
Banque Ferrier Lullin (Lux) SA				
FL Tst Switzerland	SFr81.24			–
Banque Paribas Luxembourg				
NICS Europe & Income	$10.73			–
Paribas Soleil	$7.62			–
Parinter Bond	$15.29			–
CB Fund International (u)				
CB Fd Int.	$15.76			–
CM Investment Serial Funds				
Global Gwth NAV	$10.17			–
Capel-Cure Myers Intnl Fd Sicav (u)				
Sterling Thinkers Bond	£9.37	9.67		–
Sterling Thinkers Growth	£9.45	9.96	–0.07	–
US$ Thinkers Bond	$10.19	10.51		–
US$ Thinkers Growth	$10.17	10.73	–0.06	–
Codevalor (u)				
Croissance US$	$1634.97			–
Rendement US$	$1604.80			–
Rendement SFr	SFr1903.87			–
Cortexa International (u)				
Cortexa Intnl	$94.45			–
Credit Commercial de France				
Euro Smlr Cos Class A	Ecu12.25			–
Euro Smlr Cos Class B	Ecu12.25			–
CAI Actibonds (u)	$38.58			–
Euro Prestige Cls A (u)	Ecu8.74			–
Euro Prestige Cls B (u)	Ecu10.27			–
Credit Suisse				
CS Money Mkt Fd US$	$1561.03	1561.04		–
CS Money Mkt Fd DM	DM1344.03	1344.04		–
CS Money Mkt Fd £	£1771.70	1771.71		–
CS Money Mkt Fd Yen	Y124 726	124 727		–
CS Money Mkt Fd Ecu	Ecu1031.68	1031.69		–
CS Money Mkt Fd C$	C$1037.17	1037.18		–
CS Prime Bond DM A	DM90.09	91.00		–
CS Prime Bond DM B	DM101.98	102.93		–
CS Short-Tm Bd $ A	[illegible]	[illegible]		–
CS Short-Tm Bd $ B	$127.07	127.08		–
CS Short-Tm Bd DM A	DM98.97	98.98		–
CS Short-Tm Bd DM B	DM116.34	116.35		–
CS Ecu Bd A	Ecu101.05	102.07		–
CS Ecu Bd B	Ecu125.10	126.36		–
CS Gulden Bd A	Dfl96.11	97.08		–

	Bid Price	Offer Price	+ or –	Yield Gross
Unico Financial Services SA Lux				
DG Investment Bank Ltd				
Unico Invest Fund	DM66.84	68.90		3.00
Unico Equity Fund (u)	DM56.53	57.20		3.00
Viking Fund–SICAV				
♦NAV Nov 26 Ecu62.20				
World Bond Fund–SICAV (u)				
World Bond Fund	$22.69	23.83	+0.03	0.84
Inv Ad Warburg Asset Mngt London				
World Capital Gwth Fd–SICAV (u)				
World Cap Gwth Fd	$11.76	12.99	+0.13	0.81
Inv Adv Warburg Asset Mngt London				
Yamaichi Advanced Technology Fd				
Advanced Tech.	$23.00			–
Yamaichi 1992 OMNI Fund SICAV (u)				
NAV	$11.09	11.15		–

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG
10 Baarerstrasse CH6301 Zug, Switzerland 217180

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or –	Yield Gr's
Barer St, Series A		SFr–	9040.0	9610.0		–
Barer St, Series B		SFr–	904.0	961.0		–

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or –	Yield Gross
ATSP Management Ltd				
Phillipines Long Term Equity Fund				
NAV Sept 30	$14.42			–
Aberdeen Fund Managers (Gsy) Ltd				
The New Asia Fund Ltd				
NAV US$ (diluted)	$7.17			–
Adig Investment				
Adiropa	DM20.29	20.86		–
Adiverba	DM140.29	147.30	–0.66	–
Fondak	DM70.54	74.07	[illegible]	–
Fondis	DM56.27	59.08	–0.29	–
Aetna Malaysian Growth Fd (Cayman) Ltd				
NAV Nov 26	$7.9389			–
Alliance Capital				
Alliance	$5.26	5.57	+0.04	–
Global Bond Fund	$12.46	12.85	+0.01	–
Global Leisure	$10.19	10.51		–

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls on economic fears

THE DOLLAR fell yesterday on growing worries that the US economy might already be in recession. It was not helped by speculative reports that a US insurance company was in difficulty. Sterling was little changed as dealers awaited the result of the Conservative party leadership contest, while the yen was weak in reaction to firm oil prices.

The pressure on the US unit began in London following reports that the Soviet Bank for Foreign Economic Affairs had sold around $200m for D-Marks. But there were also some technical factors connected with the decline: chart analysts said that the dollar had hit an important resistance point at DM1.4900-50.

Towards the European close, the dollar began to fall quickly as speculation moved round the market that the Equitable Life Assurance Society, of the US, was planning to file for Chapter 11 bankruptcy protection. This was quickly and strongly denied by the company, but the dollar remained depressed.

Reports that the US economy is slowing down kept the dollar weak. The National Association of Business Economists said the economy is already in a recession. Further signs of a slowdown came from the Conference Board's consumer confidence index, which is close to the low point struck during the trough of the 1982 recession.

The dollar closed lower at DM1.4800 from DM1.4920; at SFr1.2590 from SFr1.2670; at Y128.30 from Y128.75; and at FFr4.9925 from FFr5.0300. The Bank of England's dollar index was down 0.3 at 60.0.

Sterling was more subdued as dealers waited for the outcome of the Conservative party leadership ballot. The fall in the dollar boosted the pound against the US unit but depressed it slightly against the D-Mark.

The resolution of the leadership contest is expected to give sterling a boost, many analysts said. There have already been signs that some European investors have moved back into sterling. The prospect of a reduction in interest rates before Christmas has so far had little effect on the currency markets. "The ending of political uncertainty has had a bigger impact than worries over a cut in rates," one senior currency dealer said.

Sterling ended firmer at $1.9750 from $1.9655; and at Y253.30 from Y253.00. But it weakened to DM2.9225 from DM2.9325; to SFr2.4875 from SFr4900; and to FFr9.8600 from FFr9.8850. Its index finished unchanged at 94.5.

In New York the pound staged a further improvement to $1.9810 following the news that Mr John Major, the UK chancellor of the exchequer, will become prime minister.

The yen was lower as crude oil prices held on to most of the gains of the previous session. Tension in the Gulf and the possibility of military conflict in the new year weighed on sentiment. The D-Mark rose 60 points to Y86.90.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 27	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.178	-2.59	3.15	45
D-Mark	2.05586	2.05327	-0.13	0.61	11
Dutch Guilder	2.31643	2.31545	-0.04	0.53	4
Belgian Franc	42.4032	42.3901	-0.03	0.51	3
Irish Punt	0.767417	0.767969	0.07	0.41	-1
Italian Lira	1538.24	1539.40	0.08	0.41	-2
Danish Krone	7.84195	7.87156	0.38	0.11	-15
French Franc	6.89509	6.92289	0.40	0.08	-20
Sterling	0.696904	0.700272	0.48	0.00	-9

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times

£ IN NEW YORK

Nov 27	Close	Previous Close
£ Spot	1.9822-1.9832	1.9690-1.9700
1 month	1.03-1.02pm	0.96-0.94pm
3 months	2.45-2.42pm	2.47-2.44pm
12 months	7.62-7.52pm	7.62-7.52pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov 27	Previous
8.30 am	94.7	94.5
9.00 am	94.8	94.4
10.00 am	94.7	94.6
11.00 am	94.6	94.6
Noon	94.6	94.6
1.00 pm	94.6	94.6
2.00 pm	94.6	94.5
3.00 pm	94.5	94.6
4.00 pm	94.5	94.5

CURRENCY MOVEMENTS

Nov 27	Bank of England Index	Morgan Guaranty Changes %
Sterling	94.5	-17.5
U S Dollar	60.0	-16.0
Canadian Dollar	100.5	[illegible]
Austrian Schilling	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Nov 26.

CURRENCY RATES

Nov 27	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	[illegible]	[illegible]
U S Dollar	7	[illegible]	[illegible]
Canadian $	12.22	[illegible]	[illegible]
Austrian Sch	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]

† European Commission Calculations. * All SDR rates are for Nov 26

OTHER CURRENCIES

Nov 27	£	$
Luxembourg	60.30 - 60.40	30.50 - 30.60
Malaysia	5.2790 - 5.2915	2.6820 - 2.6840
Mexico	5794.40 - 5797.85	2937.00 - 2947.00
N.Zealand	3.2195 - 3.2245	1.6335 - 1.6365
Saudi Ar	7.3760 - 7.4215	3.7490 - 3.7510
Singapore	3.3605 - 3.3660	1.7065 - 1.7055
S.Af (Cm)	4.9580 - 4.9705	2.5130 - 2.5160
S.Af (Fn)	6.8300 - 7.0015	3.4845 - 3.5460
Taiwan	53.60 - 53.70	27.20 - 27.25
U.A.E.	7.2470 - 7.2690	3.6720 - 3.6740

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

Nov 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9675 - 1.9760	1.9745 - 1.9755	1.03-1.01cpm	6.20	2.45-2.42pm	4.93
Canada	2.2980 - 2.3000	2.2970 - 2.2990	0.34-0.27cpm	1.59	0.69-0.57pm	1.10
Netherlands	3.2925 - 3.3140	3.2925 - 3.3025	1½-1¼cpm	5.69	3½-3¼pm	4.25
Belgium	60.15 - 60.75	60.30 - 60.40	29-23cpm	5.17	49-41cpm	2.98
Denmark	11.1775 - 11.2720	11.2125 - 11.2225	3¼-3¼orepm	3.44	8¼-7¼pm	2.76
Ireland	1.0905 - 1.0990	1.0935 - 1.0945	0.35-0.30cpm	3.56	0.75-0.62pm	2.50
Germany	2.9195 - 2.9405	2.9200 - 2.9250	1½-1¼pfpm	5.90	3¼-3pm	4.19
Portugal	255.50 - 258.00	256.60 - 257.60	8-30cdis	-0.89	128-190dis	-2.47
Spain	184.75 - 186.40	184.60 - 185.10	20-25cdis	-1.46	54-68dis	-1.32
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar [illegible]. 12 Month 7.70-7.60cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 8¼-8⅛ per cent; three years 8¼-8⅜ per cent; four years 8⅝-8½ per cent; five years 8⅝-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days notice.

EXCHANGE CROSS RATES

Nov 27	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.975	2.923	253.5	9.860	2.488	3.290	2198	2.290	60.35
$	0.506	1	1.480	128.4	4.993	1.260	1.670	1114	1.164	30.56
DM	0.342	0.676	1	86.73	3.373	0.851	1.126	749.6	0.783	20.65
YEN	3.948	7.791	11.53	1000.	38.90	9.815	12.98	8643	9.034	238.1
F Fr.	1.014	2.003	2.965	257.1	10.	2.523	3.345	2222	2.331	61.21
S Fr.	0.402	0.794	1.175	101.9	3.963	1	1.326	880.6	0.924	24.26
H Fl.	0.303	0.599	0.886	76.86	2.990	0.754	1	664.3	0.697	18.30
Lira	0.456	0.901	1.334	115.7	4.500	1.136	1.505	1000	1.049	27.54
C $	0.435	0.859	1.272	110.3	4.291	1.083	1.435	953.4	1	26.26
B Fr.	1.657	3.273	4.843	420.0	16.34	4.123	5.465	3630	3.808	100.

Yen per 1,000. French Fr. per 10; Lira per 1,000; Belgian Fr. per 100

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%; LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%; LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%; LIFFE EUROMARK OPTIONS DM1m points of 100%; LIFFE EURODOLLAR OPTIONS $1m points of 100%; LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%; US TREASURY BONDS 8% $100,000 32nds of 100%; 6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%; THREE MONTH STERLING £500,000 points of 100%; THREE MONTH EURODOLLAR $1m points of 100%; THREE MONTH EUROMARK DM 1m points of 100%; THREE MONTH ECU ECU 1m points of 100%; FT-SE 100 INDEX £25 per full index point

[illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9750	1.9648	1.9507	1.9314	1.8985

IMM-STERLING $s per £

	Close	High	Low	Prev.
Dec	1.9730	1.9740	1.9628	1.9620
Mar	1.9504	1.9520	1.9406	1.9392
Jun	1.9322	1.9310	1.9310	1.9212

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%; U.S. TREASURY BILLS (IMM) $1m points of 100%; JAPANESE YEN (IMM) Y12.5m $ per Y100; DEUTSCHE MARK (IMM) DM125,000 $ per DM; THREE-MONTH EURODOLLAR (IMM) $1m points of 100%; SWISS FRANC (IMM) SFr 125,000 $ per SFr; STANDARD & POORS 500 INDEX; PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1); 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; OPTION ON LONG-TERM FRENCH BOND (MATIF); THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

[illegible]

March	90.13	90.08	-0.04	90.13	90.07	9.92	15,786
June	90.13	90.09	-0.03	90.13	90.08	9.92	2,138
September	90.04	90.05	-0.02	90.06	90.04	9.97	1,416

Estimated volume 4,914 Total Open Interest 36,465

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open int.
November	1598.0	1601.0	+4.0	1614.0	1594.0	4,940
December	1604.0	1612.0	+4.5	1622.0	1602.0	4,163
January	1612.0	1620.0	+2.5	1625.0	1612.0	127
March	-	1633.0	+1.5	1633.0	1633.0	10

Estimated volume 8,523 Total Open Interest 9,240

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd	14½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc	16	● Smith & Williamson Secs	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	14½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Westpac Bank Corp.	14
Benchmark Bank	14	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk	14		
Clydesdale Bank	14	Midland Bank	14		
Comm. Bk. of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Firmer UK rates

UK INTEREST rates were firmer yesterday after the Bank of England left the money markets short of liquidity, underlining its recent message that it did not want any early easing of monetary policy.

The second ballot for the Conservative party leadership kept turnover in the cash market to a minimum. Dealers had anticipated that Mr John Major, the chancellor of the exchequer, would become the new prime minister, although not at the second ballot.

A reduction in UK interest rates is still expected before the end of the year, although opinion in the market is divided over the size of any cut. The futures market is now discounting a full point off base rate before Christmas, but the cash market believes that only a ½ point cut is likely.

UK clearing bank base lending rate 14 per cent from October 8, 1990

December short sterling closed 8 points lower at 86.94, while in the cash market, three-months money was up 1/16 at 13⅝-7/16 per cent.

In its daily credit market operations, the Bank left operators about £150m short, which kept money rates tight. A liquidity shortage of £450m was later revised to £600m but was met with only £466m of help.

Before lunch the Bank bought £209m of bills outright, including in band 1 at 13⅞ per cent £1m of Treasury bills and £77m bank bills. It also bought £131m band 2 bank bills at 13 13/16 per cent. In the afternoon a further £212m of band 1 bank bills at 13⅞ per cent were purchased. Finally, late assistance of around £45m was provided.

The factors contributing to the shortage were bills maturing in official hands, repayment of late assistance and the take-up of Treasury bills, which drained £236m. Exchequer transactions absorbed a further £330m. But this was partly offset by a £40m rise in the note circulation and bankers' balances £75m above target.

In Frankfurt short-term rates rose after liquidity became tighter as banks attempted to meet their end of month reserve requirements with the Bundesbank. Call money rose to 8.00-8.20 per cent from 7.50-7.70. Banks' reserve holdings fell to DM59.1bn on Friday, from DM64.7bn on Thursday and DM71.9bn on Tuesday. Holdings averaged DM70.7bn marks for the first 25 days of the month, compared with the likely net reserve requirement, which dealers estimate at about DM68bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov 27) 3 months US dollars		6 months US Dollars	
bid 8⅛	offer 8¼	bid 8	offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	10	One month	7.05	Three year	7.66
Broker loan rate	9½	Two month	7.19	Four year	7.82
Fed. funds	7⅞	Three month	7.26	Five year	7.93
Fed funds at intervention	-	Six month	7.34	Seven year	8.17
		One year	7.29	10-year	8.28
		Two year	7.57	30-year	8.44

Nov 27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.00-8.25	8.10-8.20	8.60-8.75	8.65-8.80	8.85-9.00	8.50
Paris	9½-9⅝	9⅞-9 13/16	9 13/16-9 11/16	9 11/16-9 13/16	9 15/16-10⅛	9.50
Zurich	7⅞-7⅝	8¼-8⅛	-	8⅛-8¼	-	-
Amsterdam	8.43-8.56	8.43-8.53	-	8.80-8.90	-	-
Tokyo	7 13/16-8	8⅛-8⅞	-	8¼-8⅛	-	-
Milan	11⅛-11¼	14-14⅛	-	13⅛-13⅝	-	-
Brussels	8.55	9 11/16-9⅞	-	9⅞-9⅝	-	-
Dublin	10-10⅛	10⅜-10½	10⅜-10 11/16	10⅝-10⅞	10⅛-10⅞	-

LONDON MONEY RATES

Nov 27	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14⅝	14⅞	14 1/16	13⅞	13	12½
Interbank Bid	10	14⅛	13 15/16	13¾	12¾	12⅜
Sterling CDs	-	-	14 1/16	13⅞	12⅞	12 5/16
Local Authority Deps	14⅞	14⅞	14 1/16	13 7/16	13	12½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	14⅜	24⅛	13⅞	13	-	-
Company Deposits	-	-	14⅛	13 11/16	13⅛	12⅝
Finance House Deposits	-	-	14 1/16	13⅞	12⅞	12 7/16
Treasury Bills (Buy)	-	-	13⅝	12⅞	-	-
Bank Bills (Buy)	-	-	13 31/32	12 31/32	12 1/16	-
Fine Trade Bills (Buy)	-	-	14 3/32	13 11/16	12 15/16	-
Dollar CDs	-	-	7.85	8.25	7.99	7.93
SDR Linked Dep. Offer	-	-	8⅞	9⅛	9⅛	9⅛
SDR Linked Dep. Bid	-	-	8¼	9	8 13/16	8 13/16
ECU Linked Dep. Offer	-	-	9⅞	10 1/16	10⅛	10⅛
ECU Linked Dep. Bid	-	-	9⅝	9 15/16	10	10

Treasury Bills (sell): one-month 13 13/16 per cent; three months 12 11/16 per cent; six months 12¼ per cent. Bank Bills (sell): one-month 13⅝ per cent; three months 12 31/32 per cent. Treasury Bills; Average tender rate of discount 12.7493 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1990. Agreed rates for period Nov 26, 1990 to Dec 25, 1990, Scheme I 15.08 p.c., Schemes II & III 15.32 p.c. Reference rate for period Sept 29, 1990 to Oct 31, 1990, Scheme IV&V 14.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1, 1990. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8 1989. Deposits withdrawn for cash 5 per cent.

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MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,405 Set by DINMUTZ

ACROSS

1 Example of Laurel in cine farce? (8)
5 Bad hand? It's just a scratch! (6)
10 Bar examination (5)
11 Transposition of fashionable setting (9)
12 Continue to open fire on the tuba (9)
13 A place to rest in France – in the dark (5)
14 One who scolds 4, heartlessly (6)
15 Elevate England's openers before August, say (7)
18 Explain how former spouse gets little money (7)
20 Hedging bets in the Southern states? (6)
22 Scope for a doctor with it (5)
24 Does he follow share movements after lunch? (9)
25 Binding clergyman (9)
26 It has to go back before the tenth (5)
27 Guard delighted with track (6)
28 Rare find, somehow, in radiation (8)

DOWN

1 Nightmares at home having three dimensions, mainly (6)
2 Subject of mishap, set at sea (9)
3 Trying prospect who is difficult to deal with (7,8)
4 14, perhaps, left inside? They are no longer kids! (7)
6 Latin-derived name for Chichester (15)
7 One in real trouble in The Tempest? (5)
8 Stretch for Glen off the rails, in that case (8)
9 Broadway, would you say, for a meeting-place? (6)
16 One feels the pressure, being tapped in the lobby (9)
17 First insured, in a way, for an old penny (5)
19 One does not necessarily use the bird-bath (6)
20 Made brief for dock (7)
21 To be sure, dine out with editor (5)
23 Philosopher firm in censorship? (5)

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WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices November 27

MONTREAL
Closing prices November 27

Total Sales 4,532,611 shares.

INDICES

NEW YORK

DOW JONES	Nov. 27	Nov. 26	Nov. 23	Nov. 22	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2543.81	2533.17	2527.23	(c)	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	90.28	90.24	90.13	(c)	93.04 (3/1)	88.44 (24/9)	—	—
Transport	839.13	836.80	844.12	(c)	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	209.13	209.88	209.00	(c)	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2562.62 (2541.58) Low 2516.09 (2489.85)

STANDARD AND POOR'S	Nov. 27	Nov. 26	Nov. 23	Nov. 22	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	318.10	316.52	315.10	(c)	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	373.06	371.25	369.71	(c)	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	22.12	21.81	21.34	(c)	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	173.87	172.96	172.39	(c)	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	297.00	295.92	295.90	(c)	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	354.05	348.86	349.04	(c)	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov. 23	Nov.16	Nov. 9	year ago (approx.)
Dow Industrial Div. Yield	4.06	4.01	4.09	3.97
	Nov.21	Nov.14	Nov. 7	year ago (approx.)
S & P Industrial div. yield	3.44	3.39	3.55	2.97
S & P Indl. P/E ratio	15.29	15.47	14.48	14.25

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Tremont Corp	2,353,400	1-1/4	+ 1/8
MCA	2,239,300	65-1/4	+ 1/8
Philip Morris	1,789,100	48-7/8	- 1/4
Waste Man	1,719,700	31-7/8	- 1/8
Gen Motors	1,576,000	37-3/4	—
Baxter Intl	1,567,400	27	+ 1/4
IBM	1,531,000	113-1/2	- 1/8
Pepsico	1,388,000	26	+ 1/8
Limited Inc	1,351,000	14-7/8	+ 1/4
Gen Electric	1,337,500	53-1/2	+ 1/8

TRADING ACTIVITY

† Volume (Millions)	Nov. 27	Nov. 26	Nov. 23
New York	147.590	131.540	63.350
Amex	13.057	9.485	5.866
NASDAQ	(u)	84.730	69.416
Issues Traded	1,999	1,975	1,880
Rises	948	788	643
Falls	569	716	681
Unchanged	482	471	556
New Highs	15	4	7
New Lows	37	42	24

CANADA

TORONTO	Nov. 27	Nov. 26	Nov. 23	Nov. 22	1990 HIGH	1990 LOW
Metals & Minerals	2561.37	2554.65	2582.65	2568.41	3453.05 (4/1)	2486.60 (8/11)
Composite	3140.01	3127.58	3118.42	3103.81	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1667.67	1662.96	1661.00	1658.05	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 27	Nov. 26	Nov. 23	Nov. 22	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1350.3	1355.4	1366.6	1368.6	1713.7 (12/1)	1291.2 (2/11)
All Mining (1/1/80)	624.7	627.4	635.9	637.7	860.8 (5/1)	624.7 (27/11)
AUSTRIA						
Credit Aktien (30/12/84)	448.11	452.16	454.87	454.26	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5045.52	5075.31	5095.55	5108.63	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	325.92	326.10	325.12	331.88	398.29 (20/7)	325.12 (23/11)
FINLAND						
Unitas General (1975)	412.8	413.2	412.1	410.5	677.3 (23/1)	398.9 (24/10)
FRANCE						
CAC General (31/12/82)	426.36	433.18	432.37	428.55	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1605.92	1607.24	1640.06	1639.68	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	622.74	631.77	639.33	646.55	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1768.3	1795.0	1816.7	1838.2	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1415.26	1443.16	1483.36	1496.10	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2998.94	2995.52	3016.06	3023.08	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1223.47	1226.73	1211.43	1225.39	1893.10 (22/1)	1205.35 (14/11)
ITALY						
Banca Com. Ital. (1972)	500.77	511.73	521.44	517.50	763.52 (14/6)	500.77 (27/11)
JAPAN						
Nikkei (16/5/49)	23623.51	23762.86	(c)	23400.28	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1734.30	1747.08	(c)	1727.66	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3001.18	3021.40	(c)	3024.50	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	468.42	471.50	475.64	476.26	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Ttl Rtn.Gen.(End 1983)	228.8	227.9	229.7	228.3	271.9 (20/7)	225.6 (8/11)
CBS All Shr (End 1985)	167.7	167.1	168.4	167.3	206.3 (3/1)	165.6 (8/11)
NORWAY						
Oslo SE (Ind) (2/1/83)	675.82	672.27	667.68	664.15	915.13 (2/8)	653.46 (21/11)
PHILIPPINES						
Manila Comp (2/1/85)	610.62	634.20	643.75	653.75	1160.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	310.89	312.20	313.90	313.36	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1288.0	1319.0	1236.0	1242.0	2230.0 (16/1)	1236.0 (23/11)
JSE Industrial (28/9/78)	2786.0	2784.0	2763.0	2767.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	687.27	680.56	679.99	679.83	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	228.06	227.52	230.84	232.21	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	815.6	822.2	828.7	838.6	1329.9 (5/7)	815.6 (27/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	614.3	614.6	625.2	627.8	845.5 (13/7)	613.4 (28/9)
SBC General (1/4/87)	510.4	510.4	519.4	520.2	698.2 (13/7)	518.4 (26/11)
TAIWAN**						
Weighted Price (30/6/66)	4386.32	4582.86	4926.39	4614.07	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	592.60	601.85	638.95	642.28	1143.78 (25/7)	592.60 (27/11)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	461.8*	463.5	464.7	464.8	571.0 (4/1)	423.1 (28/9)

**Saturday November 24: Taiwan Weighted Price: 4801.08 Korea Comp Ex. 678.92
*Calculated at 15.00 GMT.
& Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday 27 November 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	7.2m	395	-5
Tokio Mne & Fre	5.3m	1,290	+20
Kyosan Elec	4.9m	1,590	-50
Honshu Paper	4.5m	2,120	-100
Iseki Co	3.5m	800	-50
Pioneer Elec	3.8m	3,850	+170
M'shita Wks	3.0m	1,620	-120
Prma Meat Pckrs	3.0m	705	+25
Toshiba	2.9m	718	0
M'sui Shpbldg	2.8m	486	-4

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

4pm prices November 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37⅛	9½	AAR	.48	4.2	7	200	11½	11	11⅛	+ ⅛
8¼	7¾	ACM n	1.01	12.		251	8⅜	8½	8⅜	+ ⅛
11⅞	8¾	ACMIn	1.26	13.		1139	10	9¾	9⅞	
9⅛	6½	ACM M n	1.01	14.		224	7⅜	7¼	7¼	
12⅜	10	ACMMM	1.50	13.		107	11¾	11⅝	11⅝	+ ⅛
11½	8⅝	ACM Scr	.25	13.		1295	9⅝	9½	9½	
9⅞	7¼	ACMSp	1.01	12.		1300	8½	8¼	8⅜	
24⅝	15⅞	AL Lab	.16	.7	18	478	22	21⅞	21⅞	− ⅛
5¼	1	AM Intl				247	1⅜	1¼	1⅜	− ⅛
20⅛	4⅜	AM In pf	2	30.		55	6⅞	6⅝	6⅝	− ¼
70¼	29¾	AMR			13	3555	46⅛	44⅞	45¼	− ⅞
4	1⅜	ARX				238	1⅝	1½	1½	− ⅛
72¾	38¼	ASA	3	7.4		552	41⅛	40½	40⅝	− ⅝
45⅝	31¼	AbtLab	s.84	2.0	20	6465	42⅝	41¾	42½	+ ⅝
14	10⅞	Abitibi g	.50			70	11⅞	11¾	11¾	− ⅛
11⅝	4⅝	AcmeC	.40	7.4	12	55	5⅜	5	5⅜	+ ⅛
9⅞	5	AcmeE	.32	6.0	9	10	5⅜	5⅜	5⅜	+ ⅛
32¼	18⅞	Acuson s			19	2190	24⅝	23¾	24⅛	+ ¼
16⅞	14⅛	AdaEx	1.72e	12.		129	14¾	14½	14⅝	
15¼	10	Adobe				219	10½	10⅜	10⅜	− ⅛
20¼	16	Adob pf	1.84	11.		3	17⅞	17⅛	17⅛	+ ⅛
21⅞	19⅛	Adob pf	2.40	12.		78	20⅛	19¾	19¾	− ⅛
11⅞	3⅝	AMD				1494	4¼	4	4⅛	
32⅞	13	AMD pf	3	20.		69	15	14⅛	14⅞	+ ½
9¼	1⅝	Advest	.16	7.5		90	2¼	2⅛	2⅛	
62	39	AetnLf	2.76	6.9	9	8247	40⅛	37⅛	39⅞	+ 2⅛
12⅜	6¼	AfilPb	.24	3.4		3684	7	6⅞	7	+ ⅛
22½	10⅝	Ahmans	.88	6.6	5	3560	13⅜	12⅞	13⅛	+ ⅜
13½	12	Ahmn wi				83	13⅛	12¾	13⅛	+ ½
3⅝	1⅞	Aileen			8	289	3	2⅞	3	
61	42⅞	AirPrd	1.44	2.8	13	2684	52	50½	51⅞	+ 1⅜
27	13½	AirFrt s	.30	1.8	8	562	16⅞	16¼	16⅞	+ ⅜
24½	11¼	Airgas			18	42	13½	13	13	− ½
20⅞	13⅛	Airlease	2.52	16.	8	35	15⅝	15¼	15⅝	+ ¼
23⅝	21⅛	AlaP	pf2.13e	9.1		2	23½	23½	23½	− ⅛
10⅛	9	AlaP	dpf.87	9.1		9	9⅝	9½	9⅝	
98⅛	90	AlaP pf	9	9.4		z1440	96	95½	95½	− ½
92¼	84	AlaP pf	8.16	9.1		z100	90	90	90	+ 1
91¼	84¼	AlaP pf	8.28	9.2		z300	90	90	90	+ 1½
26	13⅞	AlskAir	.20	1.3	8	165	15⅝	15⅜	15⅜	+ ¼
19½	8	Albnyln	.35	3.5	13	77	10⅛	10	10	− ⅛
27⅞	19⅛	Alberto	s.20	.7	21	93	27¼	26⅝	27	+ ⅜
22¼	15⅛	AlCulA	s.20	1.0	15	175	19⅞	19	19⅛	+ ¼
37⅝	24⅜	Albtsn	s.48	1.5	21	1556	33½	32⅞	33	− ⅜
24½	16⅝	Alcan	1.12	6.4		86568	17⅝	17¼	17⅛	
37⅞	27⅝	AlcoStd	.88	2.8	12	239	31¼	31⅛	31½	
34	16⅛	AlexAlx	1	4.7	17	z300	21⅛	21⅛	21⅛	− ⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
9⅞	6⅛	RPC			19	51	6⅞	6½	6⅞	
6¾	4½	RPS	.85e	17.	5	202	5⅛	4⅞	6	
47⅞	30	RTZ n	1.69e	4.7		50	35⅞	35⅞	35⅞	+ ⅛
67⅞	42⅞	Racal	.60e	1.1	28	654	54½	53⅞	54½	+ ⅞
103⅞	77⅞	RalsPur	1.85	1.9	15	669	97⅞	95½	95⅞	
8⅞	5⅞	RangrO	.08e	.9	19	159	6⅞	6⅞	6⅞	
35½	13⅞	Raycm	.32	1.7		518	19½	19	19⅛	
22⅞	14⅞	RJamF	.24	1.4	5	128	16⅞	16½	16⅞	+ ⅛
26½	16⅞	Rayonr	3.60	18.	5	98	20⅛	19⅞	19⅞	+ ⅛
2⅞	1⅛	vjRayte			2	3	1⅞	1⅞	1⅞	+ ⅛
71¼	57⅞	Raythn	2.40	3.5	6	727	68½	67⅞	68	
27⅞	21	RdrDg n	.60	2.3	17	119	26⅞	26	26½	+ ⅞
5	1⅛	RdgBte				1378	1⅞	1⅞	1⅞	− ⅞
16¼	11⅞	REIT	1.42	11.	9	35	12⅞	12⅞	12⅞	+ ⅛
15½	12⅛	RltRef	1.72	14.	7	1	12⅞	12⅞	12⅞	
7⅞	4⅞	RecnEq				156	4⅞	4½	4½	
20	8⅛	Reebok	.30	2.8	7	3910	10⅞	10¼	10⅞	+ ⅞
11⅞	1⅞	Resce	.06j			20	2⅞	2⅞	2⅞	− ⅞
½	3-16	Regal				916	13-64	9-16	13-64	+ 1-64
15	8⅞	ReichTg	1.62	18.	5	46	8¾	8½	8¾	+ ⅞
6⅞	4¼	RelGrp	.32	7.5		35	4⅞	4¼	4¼	− ⅛
30⅞	20⅞	Repsol	n.86e	3.8		683	22⅛	21⅞	22½	+ ½
5	2⅞	RepGyp	.18t	6.9		100	3	d 2⅞	2⅞	− ⅞
62⅞	37¼	RepNY	1.32	3.0	8	391	44⅞	44	44½	+ ½
7⅞	1⅛	Rexene				78	1½	1½	1½	
27⅞	11½	ReyRey	.84	5.3	7	73	15⅞	15⅞	15¾	
70	46½	ReyMt	1.80	3.6	7	1993	51⅞	49⅞	50⅛	− ⅞
67⅞	56¼	RP Ror	n.24	1.4		1235	61⅞	61⅛	61⅞	+ ⅞
10	8¾	RhP	pfA1.60e	16.		33	9¾	9½	9¾	
3½	⅞	RhnP	wt			1117	⅞	13-32	⅞	+ 3-16
22	9¾	RhnPl	n1.60e	16.		2070	10⅞	10	10	− ⅛
38⅞	29½	RiteAid	.90	2.6	14	882	34⅞	34⅛	34⅞	+ ⅛

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12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
60⅞	29	Xerox	3	9.0		5816	35⅞	33⅞	33½	− ⅛
32⅞	13	XTRA	.72	5.4		32	13½	13⅞	13⅞	+ ⅛
25	12½	XTRA	pf1.94	15.		41	13	13	13	+ ⅛
4	⅞	Zapata				356	11-16	⅞	⅞	
9⅞	3	Zemex				24	3⅛	3	3	− ⅛
13⅞	4	ZenithE				765	6⅞	6⅛	6⅛	− ⅛
18⅞	9⅞	ZenNtl	.88	8.2	7	198	10⅞	10½	10⅞	+ ⅛
7⅞	4⅞	Zenix	.93	20.		145	4⅞	4⅞	4⅞	
17⅞	9⅞	Zero	.40	3.5	12	207	11⅞	11½	11⅞	+ ½
51⅞	29⅞	Zurnin	.88	2.7	14	282	33⅛	32⅞	32⅞	− ⅞
12⅞	10½	Zweig	1.19e	11.		251	10⅞	10½	10⅞	
10	7⅞	ZweigTl	.84	9.5		929	8⅞	8⅞	8⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

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FINANCIAL TIMES Wednesday November 28 1990

AMERICA

Equities modestly higher after subdued trading

Wall Street

A SUBDUED day's trading ended with share prices modestly higher yesterday as dealers and investors looked for, and failed to find, a lead from fresh political or economic news, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was up 10.64at 2,543.81 after New York SE turnover of 147.6m shares. Advancing issues outpaced *falls by 948 to 569. The Standard & Poor's 500 put on 1.60 at 318.11, while the American SE composite rebounded from an early loss to finish a net 1.08 ahead at 297.00.

The main economic data of the day – which showed that consumer confidence fell further in November and the merchandise trade deficit widened to $29.75bn in the third quarter – were in line with expectations and had little effect on the market. The absence of any sizeable movements in crude oil prices also left trading without direction. January crude finished down nine cents at $32.86 a barrel.

Among individual issues, MCA was again the most heavily traded. Strong pressure on the demand side pushed the share price up $1½ to $65¾ on turnover of almost 2m. On Monday Matsushita, the Japanese electronics group, revealed that it would pay $6.1bn in cash for MCA, which owns the Universal Pictures film studio in Hollywood.

Waste Management was also *high on the list of most active* issues after one of the group's units won a 17-year contract to construct and run a chemical waste facility for the government of Hong Kong. After *initially moving up, investors* took profits as the buying petered out, leaving Waste Management down $¼ on the day at $31¾ after volume of 1.4m shares.

*Systems software manufac*turer Novell rose $¾ to $30 as more than 800,000 shares changed hands following a recommendation from an analyst at Shearson Lehman, the securities house. The analyst said that Novell's strong position in the personal computer local area network market should help the company maintain steady growth during the recession.

Elsewhere in the technology sector, Dell Computer moved ahead after the company reported a rise in third quarter revenues from $95.5m in 1989 to $136.7m. Then profit-taking took hold and the shares closed off $⅛ on balance at $13 after heavy trading.

American Stores put in an impressive performance, rising $2½ to $48 in the wake of an improvement in third quarter profits.

Furon, the rubber and plastics manufacturer which is due to release third quarter results today, saw its shares lose $¼ to $10¼ after an analyst moved the stock off its buy recom*mendation list and reduced his* earnings estimate for 1991 and 1992.

Canada

TORONTO spent another quiet session, moving within a narrow range before closing with a small gain. The composite index was finally up 12.4 at 3,140.0 as advances led declines by 291 to 230. Volume amounted to 19.1m shares, against Monday's 18.0m.

Golds advanced for the third consecutive day, registering a 1.31 per cent index gain in spite of a slight easing in the world bullion price. Overall, 10 of the 14 groups ended higher, including banks, real estate and construction.

Shopping for pleasure on the Paris bourse

Champagne prospects may be flat, writes **William Dawkins**, but luxuries still appeal

SOME OF the fizz went out of prospects for France's champagne producers this week, but investors are still encouraged to take a look at the Paris stock market's exclusive band of luxury goods and cosmetics groups.

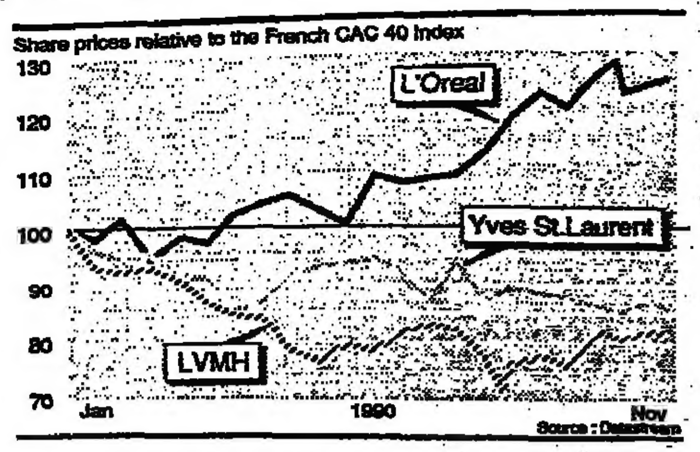
The sector – which embraces companies such as LVMH in luxury baggage, cognac, champagne and perfume; L'Oréal in cosmetics; and Yves Saint Laurent in perfumes – looks undervalued, according to DLP James Capel's latest equity review.

Champagne forms a small proportion of LVMH's profits, and observers say that the producers' problems – crop shortages, higher costs and the prospect of increased product prices – are unlikely to affect long-term prospects.

Meanwhile, the sector as a whole might seem expensive at first, on a prospective price/earnings ratio of 12.4 last week compared with the Paris market's average p/e of 10.4; moreover, it is tiny, representing only 6.4 per cent of the total market capitalisation. But the sector has more than its share of the special situations which *tend to attract and hold inves*tors' attention.

Share prices of French luxury goods producers took a knock earlier in the year from the yen's weakness against the franc. This raised fears *that* companies such as LVMH would lose sales in the important Japanese market, in spite of the fact that they hedge against exchange shifts. Now the market *is beginning to* realise that such fears were overdone, says Mr David Harrington of Capel's Paris office.

Interest, therefore, is beginning to revive: LVMH has outperformed the CAC 40 index by more than 5 per cent in the past six months, picking up recently on good third quarter results; it stands at a p/e of 11.3. Financing costs are down, although it is uncertain how luxury goods markets will perform in the current quarter, which accounts for 30 per cent of LVMH's sales.



The prospects of Rémy & As*sociés, the cognac distributor,* inspire Bacot-Allain, the *French brokers owned by* S.G. Warburg. Rémy has underperformed by more than 8 per cent over the past year, but this may not do justice to the benefits expected from its indirect tie-up with Highland Distillers.

Bacot-Allain also likes Clarins, a small skin care products group, which has outperformed the index by 10 per cent over *the past year* and has good sales prospects. L'Oréal, the world's *largest* cosmetics group, which sells Lancôme perfumes, has done even better, with a 23.6 per cent outperformance over the same period, although Bacot-Allain considers it to be a defensive stock.

For something with a bit more speculative flair, Capel is attracted by Yves Saint Laurent (YSL), the fashion designer, which saw its share price *rise* 17 per cent from FFr771 in late September to FFr902 on November 9. This was partly on rumours that Cérus, the French holding company of Mr Carlo De Benedetti, the Italian financier, was seeking a buyer for its 14.8 per cent stake, although YSL's progress in reducing its debts has also pleased the market, says Mr Harrington. YSL's share price closed at FFr815 yesterday.

The festive seasonal eating habits of French consumers – irrespective of more serious investment criteria – inspire a couple of frivolous suggestions from Capel. There is La Hénin, a quoted banking subsidiary of Suez, which has a controlling stake in Robert Labeyrie, France's main supplier of *foie gras* and smoked salmon; and Nord-Est, the quoted holding company (controlled by Paribas) which owns Spegal, a high quality food company in the same business.

The feeling is that it would take more than the prospect of war in the Gulf, global recession and a French government crisis to spoil the French public's appetite for large amounts of *foie gras* in December.

EUROPE

Oil stocks buck weakening continental trend

MOST BOURSES continued to fall in quiet trading yesterday. The oil sector was one of the few areas to attract buyers as the Gulf crisis continued to weigh on investors' minds, *writes Our Markets Staff.*

FRANKFURT ended with the DAX index another 27.90 lower at 1,415.26, for a three-day fall of 80.84, or 5.4 per cent. The FAZ index was 9.05 down at 622.72, and volume stayed sluggish at DM4.3bn, against Monday's DM3.7bn.

Ms Heidemarie Höppner, of B Metzler in Frankfurt, noted that Germany had maintained a strong downtrend in spite of *the Wall Street recovery over*night and the mild downward drift in Tokyo. "Maybe it's because we have too many players, and not enough investors," she said.

Blue chips led the way down. Strike threats in the steel industry were blamed for another DM7 drop to DM206 in Hoesch. On the contrary tack, Metzler took the view that steel was in recession, needed to cut production, and that a strike would do just as well as short-time working for that purpose.

The big three chemicals were given a rest. After hours, however, the pendulum of opinion swung again, with analysts saying that the trio, after all, might be forced to cut their *dividends for 1990.*

The volatility of the 30 shares in the DAX index, driven in both directions in the past four months by traders desperate for short-term profits, has encouraged investors and analysts to look at low-volume stocks, said Ms Höppner. WMF, the cutlery and kitchen appliance manufacturer traded mainly in the Stuttgart market, rose DM35 to DM640.

MILAN continued to drop. In addition to the problems of the slow passage of stock market reforms and an aversion to the way a new capital gains tax will be collected, investors were concerned that the current malaise might lead to bankruptcies among the smaller Milan brokers.

There were also fears that the coalition government could fall after Italy's presidency of the European Community runs out at the end of the year. The Comit index fell 10.96 or 2.1 per cent to 500.77, a year's low.

A slowdown in the economy weighed on prices. One London-based broker pointed to a letter from the International *Monetary Fund, published in* Italian papers late last week, which criticised Italy for not taking advantage of the economic growth and low oil prices in the 1980s to correct its *budget deficit.*

Among individual stocks, Montedison dropped L115 or 8.6 per cent to L1,223 and Enimont fell L38 to L1,480.

PARIS again managed to hang on above the 1,600 level on the CAC 40 index, but trading was uninspired. The index ended 1.32 down at 1,605.92, recovering from a day's low of 1,593.13 but falling from the high of 1,613.26.

Oil stocks continued to rise, with BP France up FFr4 or 4.4 per cent at FFr94; but the selling of the media sector, triggered last week by worries over WPP of the UK, seemed to have dried up.

Nouvelles Galeries, the retailer, advanced again on expectations of further stakebuilding by Proventus of Sweden, gaining FFr38 or 5.2 per *cent to FFr769 in thin trading.* L'Oréal fell FFr14.90 to FFr485.10 on profit-taking after its recent outperformance.

AGF, the insurer, was active after a block trade; the stock *closed FFr8 lower at FFr917* with 109,053 shares exchanged.

Figures released this week by Europerformance and Micropal, two private French research companies, show that French equity mutual funds are facing some of the worst year-end results since the Socialists took power in 1981, with an average fall this year of 16 per cent.

MADRID achieved a small gain, with the general index rising 0.54 to 228.06. Electricity companies were supported in active trading by the previous day's news that Endesa would increase its dividend. Endesa itself added Pta50 to Pta2,845 with 114,546 shares changing hands. Repsol, the oil company, added Pta10 to Pta 2,055.

AMSTERDAM ended steady after an uneventful session. *The CBS Tendency index* ended unchanged at 94.8. Royal Dutch rose Fl 1.10 to Fl 132.40 on the back of firm oil prices.

OSLO edged higher, with the all-share index adding 1.19 to *461.59 in turnover of NKr277m.* The industrial sector, which includes oil-related stocks, outpaced the overall market.

STOCKHOLM fell for the seventh day in a row. The Affärsvärlden General index slipped 6.6 to 815.6, a low for the year. Trading focused on leading stocks, with Ericsson and Astra accounting for about 30 per cent of the volume of SKr188m. Ericsson B lost SKr5 to SKr183 and Astra shed SKr15 to SKr470.

BRUSSELS was dominated by trade in Petrofina. The oil company eased BFr75 to BFr10,225 and accounted for one quarter of the *market's* thin volume of BFr342m. The cash market index fell 29.79 to 5,045.52.

Utilities were fairly active before the listing next week of *the new utility,* Electrabel, created from the merger of Belgium's three utility companies. FN, the arms manufacturer, lost part of Monday's gains on renewed doubts about a rescue package *for the* ailing company. FN preferred stock eased BFr4 to BFr124.

ISTANBUL dropped another 7.5 per cent, after losing 5.6 per cent on Monday. The index fell 265.85 to 3,277.18, a seven-month low, as turnover picked up from a light TL26.4bn to TL54.7bn. ATHENS' general index declined by 27.27 or 2.1 per cent to 855.18.

SOUTH AFRICA

GOLD AND related mining and financial shares stabilised after Monday's upswing as the financial rand recovered partially from the previous day's sharp fall. The JSE all-gold index lost 31 to 1,288 and the all-share index fell 20 to 2,611.

ASIA PACIFIC

Nikkei declines on rising crude price and weak yen

Tokyo

STOCKS drifted yesterday, affected by rising crude oil prices and a weaker yen. Once again the market was led by futures, which responded to reports of the possible approval by the UN Security Council of the use of force against Iraq, *writes Emiko Terazono in Tokyo.*

The Nikkei average opened at the day's high of 23,737.14, and closed 139.35 down at 23,623.51 after reaching a low of 23,533.44. Volume remained very thin with 250m shares changing hands, dealers refraining from large-scale trades on the last trading day of November contracts.

Falls outnumbered rises by *641 to 314, with 170 issues* unchanged. The Topix index of all first section stocks declined 12.78 to 1,734.30 and, in London, the ISE Nikkei 50 index shed 4.41 to 1,303.02.

Expiring margin contracts on business traded in May and June continued to haunt the market. About 2.3bn shares, mainly large-capital steels and shipbuilders, traded on margin are expected to expire on Friday. Nippon Steel, the most traded stock on Monday, was again the leading active and lost Y3 to Y396. Mitsui Shipbuilding eased Y4 to Y488.

Fears of an imminent war in the Gulf depressed Chiyoda Corp, an engineering company with contracts to build industrial plants in the region. The issue fell Y50 to Y1,600 as the prolonged situation in the Gulf was expected to depress the company's earnings prospects.

Rising oil prices caused Tokyo Electric Power to fall Y100 to Y3,250. The stock was also depressed by a decline in first-half earnings.

Pioneer Electronic continued to surge, gaining Y170 to Y3,850 after a Y350 rise on Monday. The issue became a constituent of the Nikkei average on Monday, replacing Mitsubishi Mining & Cement.

While some participants see *the inclusion in the index as a* buying incentive, others believe that its uptrend is limited. Mr Ian Marklew at Barclays de Zoete Wedd said that the buying was overdone. "*There is no justification for* Pioneer surging just on the inclusion," he said.

Investors responded favourably to the terms of Matsushita's acquisition of the US film studio, MCA, announced on Monday night. Matsushita rose Y20 to Y1,640 in an otherwise weak electricals sector.

Many speculative issues fell on the news that Mr Mitsuhiro Kotani, leader of the Koshin stock speculator group, had admitted in court that he had manipulated the share price of Fujita Tourist. Honshu Paper lost Y100 to Y2,120, Iseki Y50 to Y900 and Fukusuke Y290 to Y2,790.

Most retailers were weak on fears of slackening personal consumption, indicated by *sluggish October department* store sales. Mitsukoshi, a leading department store, slipped Y10 to Y1,240. On the other hand, Marui gained for the third consecutive trading day. While warm weather is stunting sales of winter clothing, the issue's low price and stable income from credit card sales have been attracting investors.

In Osaka, high-technology and large-capital issues lost ground. The OSE average shed 74.99 to 26,577.01 on volume of 42.3m shares, against 42.2m.

Roundup

MANY Pacific Rim markets fell yesterday, weighed down by disappointing company news and fears of war in the Gulf.

AUSTRALIA declined for the fourth day in a row. The All Ordinaries index lost 5.1 to 1,350.3. Turnover fell to A$151m from A$163m. Coles Myer, the country's biggest retailer, eased 2 cents to A$6.28 after its chairman told the annual meeting that operating conditions would remain difficult until the middle of 1991.

NEW ZEALAND retreated after Air New Zealand announced that profit fell 40.7 per cent in the first half and passed the interim dividend. The stock slipped 3 cents to NZ$1.07; *Brierley Investments,* which owns 35 per cent of the airline, lost 5 cents to NZ$1.14.

Robt Jones Investments fell 3 cents to 47 cents after asking shareholders to cancel an interim dividend and forego future dividends. The Barclays index fell 26.09 to 1,278.02 in turnover of NZ$8.8m.

TAIWAN fell 4.3 per cent in a continued correction after its recent climb. The weighted index lost 196.54 to 4,386.32 and volume fell to T$67.7bn from T$73.7bn.

MANILA was disappointed by the lack of progress at an offshore oil well in the southern Philippines. The composite index weakened 23.58 to 610.62 and turnover contracted to 63.7m pesos from 83.8m.

In SINGAPORE trading resumed in UIC after the company said it was increasing its stake in the property concern, Marina Centre Holdings. UIC slipped to S$1.29 from its pre-suspension price of S$1.32. The Straits Times Industrial index eased 2.93 to 1,118.29 in turnover of S$56m, against S$25m.

KUALA LUMPUR saw Malaysian Airline System drop 17 cents to M$4.88 on a first-half fall in operating profits. The composite index lost 3.08 to 468.42.

HONG KONG came off the day's lows on rumours of a merger between China Light & Power and Hong Kong Electric. The Hang Seng index closed 3.42 up at 2,998.94. Turnover eased to HK$579m from HK$591m.

BOMBAY fell sharply after Prime Minister Chandra Shekhar contradicted his oil minister and ruled out overturning the previous government's 25 *per cent increase* in petroleum product prices. The BSE index dropped 61.51, or 4.6 per cent, to 1,284.35.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY NOVEMBER 27 1990								MONDAY NOVEMBER 26 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (76)	123.69	+0.1	92.85	100.31	95.18	107.03	−0.3	7.28	123.63	93.25	100.61	95.90	107.39	158.31	118.98	144.45
Austria (19)	197.27	−0.5	148.09	159.99	151.79	152.04	−0.9	1.80	198.20	149.51	161.31	153.75	153.49	285.63	178.57	147.51
Belgium (61)	137.53	+0.5	103.24	111.53	105.82	103.61	−0.5	5.59	136.85	103.23	111.37	106.15	104.12	160.02	126.87	147.26
Canada (120)	125.02	−0.1	93.85	101.38	96.19	105.33	+0.2	3.81	125.09	94.36	101.80	97.02	105.07	153.61	121.24	148.90
Denmark (33)	245.74	+0.3	184.48	199.30	189.09	189.84	−0.3	1.58	245.03	184.83	199.42	190.06	190.37	277.62	234.05	229.90
Finland (25)	104.35	+0.8	78.34	84.64	80.30	77.89	+0.5	3.92	103.52	78.09	84.25	80.30	77.53	152.29	98.91	120.14
France (122)	139.32	+0.8	104.59	112.98	107.19	109.11	+0.0	3.81	138.22	104.26	112.48	107.20	109.06	168.85	124.98	138.33
Germany (91)	116.93	−0.6	87.77	94.84	89.97	89.97	−1.4	2.53	117.64	88.74	95.75	91.25	91.25	144.63	101.38	103.20
Hong Kong (48)	121.90	−0.2	91.51	98.86	93.80	121.93	−0.1	5.43	122.09	92.09	99.36	94.71	122.10	147.49	112.24	116.64
Ireland (17)	153.82	+0.6	115.47	124.75	118.36	120.18	−0.1	4.35	152.91	115.35	124.45	118.61	120.34	198.57	139.04	163.57
Italy (91)	76.41	−1.8	57.36	61.96	58.79	63.31	−2.6	3.89	77.78	58.67	63.30	60.33	65.02	109.26	76.41	92.18
Japan (454)	129.32	−0.4	97.08	104.88	99.52	104.88	−0.8	0.81	129.88	97.97	105.71	100.76	105.71	197.26	106.58	193.04
Malaysia (35)	191.88	−0.6	144.04	155.61	147.64	198.27	−0.6	3.40	193.01	145.59	157.08	149.71	199.41	250.89	182.96	204.23
Mexico (12)	568.41	+0.7	426.69	460.98	437.36	1828.36	+0.7	0.38	564.72	425.98	459.60	438.05	1815.27	568.41	324.53	286.28
Netherland (41)	134.71	+1.1	101.12	109.25	103.65	102.64	+0.4	5.24	133.19	100.47	108.39	103.31	102.28	149.03	127.56	131.24
New Zealand (16)	48.36	−2.4	36.30	39.22	37.21	41.99	−2.3	8.00	49.57	37.39	40.34	38.45	42.97	75.36	47.90	74.87
Norway (27)	217.35	+1.0	163.16	176.28	167.24	170.59	+0.4	1.81	215.20	162.33	175.15	166.94	169.86	276.79	202.34	175.29
Singapore (25)	155.85	−0.1	117.00	126.40	119.92	122.64	−0.1	3.60	155.97	117.65	126.94	120.98	122.80	209.24	147.24	163.95
South Africa (60)	172.27	−3.8	129.32	139.71	132.55	132.38	−0.7	4.18	178.98	135.01	145.66	138.83	133.30	251.39	151.50	169.11
Spain (42)	145.59	+1.0	109.29	118.08	112.02	103.57	+0.3	5.35	144.11	108.70	117.29	111.78	103.26	182.25	128.54	157.81
Sweden (27)	153.11	−1.0	114.94	124.18	117.82	125.74	−1.4	3.23	154.69	116.68	125.89	119.99	127.49	234.93	153.11	166.84
Switzerland (68)	87.70	+0.7	65.84	71.13	67.49	68.45	+0.0	3.08	87.12	65.71	70.91	67.59	68.43	109.77	85.00	90.44
United Kingdom (298)	170.68	+0.8	128.13	138.41	131.32	128.13	+0.3	5.43	169.30	127.71	137.77	131.31	127.71	176.18	139.87	142.91
USA (533)	128.39	+0.5	96.38	104.13	98.79	128.39	+0.5	3.85	127.71	96.33	103.94	99.07	127.71	148.95	119.06	140.32
Europe (962)	138.40	+0.4	103.89	112.25	106.50	105.49	−0.2	4.41	137.83	103.97	112.17	106.92	105.73	157.65	124.91	127.83
Nordic (112)	170.58	−0.1	128.06	138.35	131.26	130.39	−0.6	2.33	170.74	128.79	138.96	132.44	131.13	223.29	170.59	169.15
Pacific Basin (654)	128.52	−0.4	96.48	104.23	98.89	105.19	−0.8	1.21	129.06	97.35	105.04	100.11	105.99	192.75	107.82	188.20
Euro−Pacific (1616)	132.90	−0.1	99.76	107.77	102.25	106.12	−0.5	2.57	132.98	100.31	108.22	103.15	106.68	174.18	116.03	164.13
North America (653)	128.10	+0.5	96.16	103.90	98.58	126.87	+0.5	3.85	127.46	96.15	103.75	98.89	126.22	148.43	119.26	140.73
Europe Ex. UK (664)	118.71	+0.1	89.11	96.29	91.36	92.21	−0.7	3.62	118.58	89.45	96.53	92.00	92.81	145.62	109.94	117.47
Pacific Ex. Japan (200)	118.39	−0.2	88.88	96.03	91.11	105.67	−0.3	6.24	118.59	89.45	96.53	92.00	106.03	146.72	116.03	130.31
World Ex. US (1808)	133.27	−0.1	100.04	108.09	102.55	106.79	−0.5	2.62	133.41	100.63	108.59	103.49	107.33	173.77	117.12	163.73
World Ex. UK (2043)	126.62	+0.0	95.05	102.69	97.44	112.00	−0.2	2.72	126.60	95.49	103.04	98.21	112.24	162.00	115.37	155.44
World Ex. So. Af. (2281)	130.28	+0.1	97.80	105.67	100.25	113.47	−0.1	3.03	130.10	98.13	105.89	100.92	113.64	161.84	118.04	154.21
World Ex. Japan (1887)	132.46	+0.4	99.43	107.43	101.93	118.20	+0.2	4.16	131.95	99.53	107.40	102.37	118.01	151.59	124.31	135.87
The World Index (2341)	130.53	+0.1	97.99	105.87	100.45	113.60	−0.2	3.04	130.39	98.36	106.12	101.15	113.78	162.05	118.33	154.30

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Alliance & Leicester

has acquired

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Morgan Guaranty assisted in the negotiations and acted as financial advisor to Alliance & Leicester in this transaction

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